

ORDINANCE NO.

AN ORDINANCE OF THE CITY OF SANTA CRUZ REPEALING
CHAPTER 6.90 PERSONAL MEDICAL MARIJUANA USE,
ADDING CHAPTER 6.91 CANNABIS RETAILER LICENSES, AND AMENDING PARTS 8,
10, 16, AND 16B OF CHAPTER 24.10 AND PART 14 OF CHAPTER 24.12 OF THE CITY
OF SANTA CRUZ MUNICIPAL CODE AND THE LOCAL COASTAL PROGRAM TO
COMPLY WITH STATE LAW RELATED TO CANNABIS

BE IT ORDAINED by the City of Santa Cruz as follows:

Section 1. Chapter 6.90 (Personal Medical Marijuana Use) of the Santa Cruz Municipal Code is hereby repealed.

Section 2. Chapter 6.91 (Cannabis Retailer Licenses) of the Santa Cruz Municipal Code is hereby added as follows:

Chapter 6.91
CANNABIS RETAILER LICENSES

Sections:

- 6.91.010 Propose
- 6.91.020 Definitions
- 6.91.030 Cannabis Retail Business-License Required
- 6.91.040 Written Applications Required
- 6.91.050 Notice of Availability
- 6.91.060 Application Contents
- 6.91.070 Fee for Application
- 6.91.080 Review Procedure
- 6.91.090 Review Factors
- 6.91.100 Determination Contingent
- 6.91.110 Effective Date
- 6.91.120 License Non-Transferable
- 6.91.130 Annual Confirmation of Renewal
- 6.91.140 Expiration
- 6.91.150 Suspension or Revocation
- 6.91.160 License Requirements
- 6.91.170 Violations

6.91.010 PURPOSE

Medical marijuana dispensaries have operated within the city of Santa Cruz for a long period of time without land use conflicts. Proposition 64, approved by the voters of California in November 2016, legalized the adult recreational use of marijuana. This chapter is designed to regulate the use of cannabis based upon the new state laws.

The city has determined to initially limit the number of cannabis retail outlets allowed to ensure that this use will not create unforeseen impacts. The city also desires a process by which individual proprietors may relocate their businesses without expanding the number of cannabis retail outlets in the city. To provide a process that limits the number of outlets without tying those outlets to specific properties, this chapter creates a licensing structure for cannabis retail businesses.

6.91.020 DEFINITIONS

The following words and phrases, whenever used in this chapter, shall have the meanings defined in this section unless the context clearly requires otherwise:

1. “Adult use” shall refer to non-medical use of cannabis by persons 21 years of age or older in conformance with the Medical and Adult-Use Cannabis Regulation and Safety Act and the provisions of state law regarding cannabis use and sale.
2. “Application period” shall be the time stated in the Notice of Availability during which the Planning Department will accept applications for Cannabis Retailer Licenses.
3. “Chief of Police” shall refer to the city of Santa Cruz chief of police or the person designated by the chief of police.
4. “Date of Issuance of Cannabis Retailer License” shall be the date on which the cannabis retailer license was approved by the planning department and the chief of police.
5. “License vacancy” shall mean any time in which the total number of licenses issued is fewer than allowed by city council.
6. “Medical cannabis,” “medical marijuana.” See “medicinal cannabis.”
7. “Medicinal cannabis,” or “medicinal cannabis products” means cannabis or a cannabis product, respectively, intended to be sold for use pursuant to the Compassionate Use Act of 1996 (Proposition 215), found at Section 11362.5 of the Health and Safety Code, by a medicinal cannabis patient in California who possesses a physician’s recommendation.
8. “Person” shall mean any natural person, partnership, cooperative association, corporation, personal representative, receiver, trustee, assignee, or any other legal entity.
9. “Planning department” means the planning and community development department of the city of Santa Cruz.
10. “Police department” means the police department of the city of Santa Cruz.

11. “Proprietor” shall mean a person with an ownership or managerial interest in a business. An ownership interest shall be deemed to exist when a person has a ten percent or greater interest in the stock, assets, or income of a business other than the sole interest of security for debt. A managerial interest shall be deemed to exist when a person can or does have or share ultimate control over the day-to-day operations of a business.

6.91.030 CANNABIS RETAIL BUSINESS – LICENSE REQUIRED.

It is unlawful for any person conducting, operating, owning, or in control of any premises to sell cannabis or cannabis products, whether medical (medicinal) or adult use (recreational) within the city of Santa Cruz unless such person holds a valid cannabis retailer license therefor, pursuant to the provisions of this chapter. All retail sales of any type, including online and delivery service sales, are included in this requirement and are unlawful without the required cannabis retailer license. A separate cannabis retailer license is required for each location. If a proprietor has more than one location, a license is required for each.

6.91.040 WRITTEN APPLICATIONS REQUIRED.

An application for a cannabis retailer license shall be filed with the Planning Department, shall be in writing on forms provided by the city, shall be in duplicate, and shall be accompanied by the appropriate documentation and fee.

6.91.050 NOTICE OF AVAILABILITY

When the number of cannabis retailer licenses falls below the number of licenses set by City Council, the city shall place an advertisement in at least one local newspaper of general circulation and post on the city’s website an announcement that the city will be accepting applications for cannabis retailer licenses. The notice shall include the dates during which applications will be accepted, the location on the city’s website for application requirements and directions, and the contact information for questions.

6.91.060 APPLICATION CONTENTS.

Each application shall contain:

1. A complete identification of the applicant including name and address;
2. Names, residence and business addresses of any copartners, including limited partners, or, if the applicant is a corporation, the name of the corporation shall be set forth exactly as shown in its articles of incorporation together with the date and place of incorporation, the names and residence addresses of each of the officers, directors, and each stockholder owning more than ten percent of the stock of the corporation. If one or more of the partners is a corporation, the provisions of this section pertaining to a corporate applicant apply;
3. The names, residence and business addresses of the managers and persons to be in charge of the business;

4. The name, residence and business address of the owner of the property, who shall indicate in writing his/her consent to cannabis retail sales being conducted on the property by signing the application in the space provided;
5. A site plan, floor plan, and elevations of the property where the business will operate;
6. An operations plan for the business and the name under which it is to be operated;
7. Whether or not any person referred to in subsections (1), (2), (3) or (4) of this section has had a license or use permit for the same or any similar business suspended or revoked anywhere, and, if so, the circumstances of such suspension or revocation;
8. The hours of operation;
9. Such other related information as the planning department and police department may require.

The residential addresses required in 2 and 3 above, as well as the name(s) of managers and persons to be in charge listed in 3 above shall be kept private and not made available to the public.

6.91.070 FEE FOR APPLICATION

The fee to apply for a cannabis retailer license shall be set by resolution of the City Council from time to time. The fee shall be calculated so as not to exceed that amount which would recover the total cost of both license administration and license enforcement, including, for example, issuing the license, administering the license program, retailer education, retailer inspection and compliance checks, documentation of violations, and prosecution of violators. All fees shall be used exclusively to fund the program. Fees are nonrefundable except as may be required by law.

6.91.080 REVIEW PROCEDURE

All complete applications received during the application period shall be reviewed by a panel of no fewer than three city employees. The panel shall review the applications, considering factors of importance to the community including those listed below. The application determined to best meet the community's needs and values shall be granted the license contingent upon meeting the requirements for cannabis retailer licenses (including payment of fees), obtaining a state retail, non-profit, or microbusiness license, and approval of an administrative use permit for the property from which the business will operate.

6.91.090 REVIEW FACTORS

City staff may consider the following factors, among others, when reviewing applications:

- Applicant has been a local resident for the previous three years;
- Previous legal local cannabis retail experience;
- No previous cannabis retail experience leading to significant complaints or civil or criminal proceedings;
- Minority- or woman-owned business;

Pays living wage as set by City Council and further described in Chapter 5.10;
Provides employee benefits;
Provides medical cannabis;
Provides free or reduced cost medical cannabis to low-income patients;
Green Business certification;
Use of energy from clean energy sources;
Carries predominantly locally produced products;
Carries predominantly organically certified cannabis and cannabis products;
Quality of operations plan;
Other community benefits.

6.91.100 DETERMINATION CONTINGENT

The issuance of a cannabis retailer license shall be contingent upon the following:

1. Approval of an administrative use permit within six months or consistent with existing administrative use permit, including all conditions of approval; and
2. Obtaining state cannabis retail license, state cannabis nonprofit license, or state cannabis microbusiness license.

6.91.105 APPEALS

An applicant aggrieved by the decision of the city employee review panel to deny a cannabis retailer's license may appeal to the City Council in accordance with the provisions of Chapter 1.16 of the Santa Cruz Municipal Code.

6.91.110 EFFECTIVE DATE

The approved license shall become effective upon approval of both the administrative use permit for the location (or the determination by the planning department that the application meets the conditions of approval for an existing administrative use permit) and approval of the state license allowing cannabis retail uses.

6.91.120 LICENSE NON-TRANSFERABLE

A cannabis retailer license may not be transferred from one person to another. A new cannabis retailer license is required whenever a cannabis retailer location has a change in proprietor. Licensees may change locations contingent upon obtaining an administrative use permit for the new location(s) as well as approval from the state licensing agency for the new location in accordance with Section 6.91.100 above.

6.91.130 ANNUAL CONFIRMATION OF RENEWAL

All cannabis retailer licenses are required to be renewed annually. Licensees shall submit annually for a confirmation of renewal to the police department by providing proof of renewal of their state cannabis retail, nonprofit, or microbusiness license. The police department will review

the license before issuing the renewal. A fee commensurate with the cost of reviewing the existing license, the new state license, the history of calls for service at the site, and a site visit as well as any other appropriate review and investigation shall be submitted with the renewal application. This fee shall be set by city council.

6.91.140 EXPIRATION

A license shall expire if not in active use for a period of six months at any time after the date of issuance. This period may be extended if the licensee has applied for an administrative use permit that has been delayed through no fault of the licensee. Expired licenses may not be renewed but the license holder may apply again when a license vacancy occurs.

6.91.150 SUSPENSION AND REVOCATION.

In addition to any other remedy authorized by law, a cannabis retailer license may be suspended and/or revoked if the chief of police, the planning director, or their designees find that the licensee, or any of the licensee's agents or employees, has violated any of the requirements, conditions, or prohibitions of the use permit, state law, or the city's Municipal Code. During any period of license suspension, the business must remain closed and no operations may continue.

1. Suspension of License. Upon the chief of police, the planning director, or their designees determining a violation of the requirements, conditions, or prohibitions of the use permit, state law, or the city's Municipal Code has occurred, a cannabis retailer license shall be suspended for up to sixty days.

2. Revocation of License. Upon the chief of police, the planning director, or their designees determining that a second violation of the requirements, conditions, or prohibitions of the use permit, state law, or the city's Municipal Code has occurred, the cannabis retailer license shall be revoked and no new license may be issued for the proprietor or any other business entity in which the proprietor is a partner or owner of ten percent or more of the business for a period of five years from the date of revocation.

3. Appeal of Suspension or Revocation. A licensee may appeal the suspension or revocation of a cannabis retailer license to the city council by filing an appeal with the planning department within 10 working days of the revocation.

6.91.160 LICENSE REQUIREMENTS

The following requirements shall apply to all cannabis retailer licenses.

1. Limited Number set by City Council. The city council has determined that the initial number of cannabis retailer licenses within the city shall be set at no more than five licenses for both commercial adult use and medical cannabis. This number includes the two existing dispensaries originally approved as medical marijuana provider association dispensaries, which shall be granted licenses upon receipt of a complete application without the need to undergo the review procedure set forth in 6.91.080. In order to obtain this privilege, the two existing dispensaries shall submit cannabis retailer license applications within 60 days of the final

adoption of this ordinance. In the event that one or both of these licenses lapse or is revoked, the proprietor shall be required to compete for a new license under the same terms and conditions as all other applicants. The city council may, by resolution, modify the maximum number of licenses allowed under this section.

2. Concurrent or Existing Administrative Use Permit. A license can only be used in conjunction with an approved administrative use permit for the property at which the business is located. If the property does not have an existing use permit for cannabis retail use, the applicant may apply for the required administrative use permit concurrently with the license application as long as all of the following conditions are met: 1) the property zoning allows cannabis retail or microbusiness uses; 2) the property owner agrees to such use; 3) the property is not within a 600-foot radius of a school providing instruction in kindergarten or any grades 1 through 12, day care center, or youth center; and 4) there is not another cannabis retail establishment within 600 feet of the property unless the applicant is seeking an exception from said separation requirements, consistent with provisions in Section 24.12.1330 of the city's Municipal Code.

3. State License for Retail or other Compatible License Type. City cannabis retailer licenses are not valid without a valid California cannabis retail, nonprofit, or microbusiness license. City licenses may be issued contingent upon the applicant receiving a state license; however, the application for the state license must be submitted prior to approval of the city license unless otherwise authorized by the Director due to unusual circumstances. If the state license is not approved within six months of the issuance of the city license, the city license shall become invalid unless an extension is obtained. The applicant may apply for an extension if the delay in obtaining the state license is not due to a delay on the part of the applicant in providing any application or other materials to the state. If the applicant's license is deemed invalid due to a delay in obtaining the state license, the applicant may reapply when another license is available.

4. Consistency with State Law and Conditions of Approval for Administrative Use Permit. Operations of the business shall be in compliance with applicable state law and with the conditions of approval of the approved use permit for the property on which the business is located.

5. Cannabis retailer licenses are issued to the proprietor and are not specific to the location. Each license shall be for one retail outlet only and additional licenses must be obtained for additional retail outlets.

6.91.170 VIOLATIONS

1. It shall be unlawful for any person to act as a cannabis retailer or to display or advertise the sale of cannabis products without obtaining and maintaining a valid cannabis retailer license pursuant to this chapter for each location at which that activity is to occur.

2. Online sales of medical or adult use cannabis without a cannabis retailer license are prohibited.

3. Each cannabis retailer license shall be prominently displayed in a publicly visible location at the licensed location and on any business website or advertisement.
4. In the course of cannabis retailing or in the operation of a business or maintenance of a location for which a cannabis retailer license has been issued, it shall be a violation of this chapter for a licensee, or any of the licensee's agents or employees, to violate any local or state law applicable to cannabis products, cannabis paraphernalia, or cannabis retailing.

Section 3. Section 24.10.730 of Part 8 of Chapter 24.10 (USE PERMIT REQUIREMENT, CC District) of the Santa Cruz Municipal Code is hereby amended as follows:

24.10.730 USE PERMIT REQUIREMENT.

1. The following uses require an administrative use permit and are subject to other applicable requirements of the municipal code (numerical references at the end of these categories reflect the general use classifications listed in the city's land use codes. Subcategories of uses within these use categories can be found in the land use codes, but they are not intended to be an exhaustive list of potential uses):
 - a. Accessory buildings containing plumbing fixtures subject to provisions of Section 24.12.140;
 - b. Ambulance services (410B);
 - c. Auto services and repair subject to performance standards in Section 24.12.900 (350);
 - d. Bakery, handicrafts or similar light manufacturing and assembly uses associated with retail sales if floor area is less than seven thousand square feet and retail sale or service area occupies at least thirty percent of the floor area;
 - e. Brewpubs and microbreweries, subject to alcohol regulations in Part 12 of Chapter 24.12;
 - f. Boat repairs (340D);
 - g. Building materials/garden supplies (220);
 - h. Cannabis retail, subject to the commercial cannabis regulations, Part 14 of Chapter 24.12;
 - i. Churches (500);
 - j. Communication and information services (550);
 - k. Community organizations, associations, clubs and meeting halls (570);
 - l. Developed parks (710);
 - m. Educational facilities (public/private) (510);
 - n. Fast-food restaurants or drive-in eating facilities subject to performance standards in Section 24.12.290, and subject to live entertainment and alcohol regulations of Chapter 24.12 (280H);
 - o. Foster family homes;

- p. Government and public agencies (530);
- q. Lodging (300);
- r. Mixed residential and commercial/office developments involving permitted or administrative uses on the ground floor and from three to nine multiple dwellings or condominiums above the first floor;
- s. Motor vehicle dealers and supplies (260);
- t. Multiple dwellings or condominiums, three to nine units subject to the minimum (net) land area per dwelling unit of the R-M District (830);
- u. Off-site public/private parking facilities, five or more spaces (930);
- v. Recycling collection facilities;
- w. Single-room occupancy (SRO) housing, fifteen units or fewer (860);
- x. Tasting rooms, subject to alcohol regulations in Part 12 of Chapter 24.12;
- y. Temporary structures and uses;
- z. Thrift stores (290m);
- aa. Undeveloped parks and open space (700);
- bb. Utilities and resources (540);
- cc. Veterinarians (410A);
- dd. Wireless telecommunications facilities, subject to the regulations in Part 15 of Chapter 24.12.

2. The following uses require a special use permit and are subject to other applicable requirements of the municipal code. All industrial classifications from 100 to 155 shall be limited to operations that occupy less than five thousand square feet of floor area and shall comply with all performance standards listed in Part 2 of the Environmental Resource Management provisions (numerical references at the end of these categories reflect the general use classifications listed in the city's land use codes. Subcategories of uses within these use categories can be found in the land use codes, but they are not intended to be an exhaustive list of potential uses):

- a. Bar and cocktail lounges subject to live entertainment and alcohol regulations of Chapter 24.12 (280C);
- b. Carpenter, electrical, plumbing, heating, and furniture upholstery shops;
- c. Community care facilities;
- d. Large family daycare;
- e. Contractor/building (310E);
- f. Convenience stores, subject to alcohol regulations in Part 12 of Chapter 24.12 (240B);
- g. Fabricated metal products (manufacturing) (150);
- h. Fabricated wire products (manufacturing) (155A);
- i. Food and beverage preparation (manufacturing) (100);
- j. Furniture and fixtures (manufacturing) (120);
- k. Hospitals (520);

- l. Laboratory research experimentation, testing, software development;
- m. Liquor stores, subject to alcohol regulations in Part 12 of Chapter 24.12;
- n. Local/interurban passenger transit (bus, cab) (560B);
- o. Millwork, textile products, knit goods, woven fabrics, clothing (manufacturing) (105);
- p. Mixed residential and commercial/office developments, with ten or more multiple dwellings or condominiums, either above commercial uses or units on the same lot (840);
- q. Multiple dwellings and condominiums, ten or more units subject to the minimum land area (net) per dwelling unit of the R-M District (840);
- r. Mortuaries (310I);
- s. Motion picture production (manufacturing) (155E);
- t. Nightclubs/music halls subject to live entertainment and alcohol regulations of Chapter 24.12 (630);
- u. Rental services (360);
- v. Single-room occupancy (SRO) housing sixteen units or more (860);
- w. Solar equipment (manufacturing) (155C);
- x. Sports recreation facilities, subject to alcohol regulations in Part 12 of Chapter 24.12 (720);
- y. Stone, clay, glass products (manufacturing) (140);
- z. Storage and warehouse when connected with permitted use (330);
- aa. Wholesale trade (nondurable goods) (200):
 - (a) Bakery,
 - (b) Confectionery,
 - (c) Dairy,
 - (d) Health foods;
- bb. Wholesale trade (durable goods) (210):
 - (a) Paper products and related (210E),
 - (b) Special equipment (machine supply) (210F);
- cc. Smoking lounges as defined in Section 24.22.748.2 and subject to siting criteria and performance standards in Chapter 5.54.

Section 4. Section 24.10.930 of Part 10 of Chapter 24.10 (USE PERMIT REQUIREMENT, CT District) of the Santa Cruz Municipal Code is hereby amended as follows:

24.10.930 USE PERMIT REQUIREMENT.

- 1. The following uses are subject to approval of an administrative use permit and a design permit:
 - a. Ambulance service.
 - b. Automatic car wash.

- c. Bakery; soft-drink bottling plant; laundry, cleaning and dyeing establishment.
- d. Brewpubs and microbreweries, subject to alcohol regulations in Part 12 of Chapter 24.12.
- e. Cannabis retail, subject to the commercial cannabis regulations, Part 14 of Chapter 24.12.
- f. Large family daycare homes.
- g. Garages for the repair of automobiles, trucks and other heavy equipment, subject to performance standards as set forth in this title for principal permitted uses in the I-G District.
- h. Multiple dwellings and condominiums, nine units or fewer, subject to the minimum land area (net) per dwelling unit of the R-M District (830).
- i. Recycling collection facilities.
- j. Souvenir and gift shops.
- k. Single-family dwellings.
- l. Small community care residential facilities.
- m. Stores, shops and general retail, subject to alcohol regulations in Part 12 of Chapter 24.12.
- n. Tasting rooms, subject to alcohol regulations in Part 12 of Chapter [24.12](#).
- o. Temporary structures and uses.
- p. Truck, boat, trailer, farm equipment, and other heavy equipment sales, service and rental.
- q. Two-family dwellings.
- r. Veterinary hospitals and clinics.
- s. Wireless telecommunications facilities, subject to the regulations in Part 15 of Chapter 24.12.
- t. Accessory buildings containing plumbing fixtures subject to the provisions of Section 24.12.140.

Section 5. Section 24.10.1505 through Section 25.10.1510 of Part 16 of Chapter 24.10 (I-G GENERAL INDUSTRIAL DISTRICT) of the Santa Cruz Municipal Code is hereby amended as follows:

24.10.1505 PRINCIPAL PERMITTED USES.

- 1. The following uses are allowed outright, subject to other requirements of the municipal code (numerical references at the ends of these categories reflect the general use classifications listed in the city's land use codes. Further refinement of uses within these categories can be found in the land use codes, but they are not intended to be an exhaustive list of potential uses):
 - a. Acting/art/music/dance schools and studios (610);

- b. Building materials/garden supply stores (220) with less than forty thousand square feet including indoor floor area and outdoor storage, display, or sales area. For building materials/garden supply stores of which fifty percent or more of the square footage will occupy an existing building, this threshold will be seventy-five thousand square feet including indoor floor area and outdoor storage, display, or sales areas so long as vacant, available space in existing buildings in the IG Zone exceeds four hundred thousand square feet. When the vacant, available square footage is less than four hundred thousand square feet, the forty-thousand-square-foot threshold will apply;
- c. Financial, insurance, real estate offices (420);
- d. Food and beverage preparation (100);
- e. Furniture and fixtures (120);
- f. Laboratories and related facilities for research, experimentation, testing, film processing, software development, including cannabis testing;
- g. Medical/health offices/laboratories (410);
- h. Millwork textile products (105);
- i. Printing and publishing or lithographic shops and plants;
- j. Professional offices (400);
- k. Professional/personal service (except mortuaries) (310);
- l. Rental service (360);
- m. Repair, alterations, maintenance (except boat repairs) (340);
- n. Small family daycare facility in a single-family home or duplex;
- o. Start-up fabrication assembly or packaging from light metals, prepared materials, or prefabricated parts, including electrical devices if operated in an area no greater than three thousand square feet, and no hazardous materials are used during the operation;
- p. Storage warehousing (330);
- q. Wholesale trade durable goods (210);
- r. Wholesale trade nondurable goods (200).

24.10.1510 USE PERMIT REQUIREMENT.

1. The following uses require an administrative use permit and are subject to other applicable requirements of the municipal code (numerical references at the ends of these categories reflect the general use classifications listed in the city’s land use codes. Subcategories of uses within these use categories can be found in the land use codes, but they are not intended to be an exhaustive list of potential uses):

- a. Agriculture (000);
- b. Auto services and repairs, including trucks, heavy equipment and auto towing, subject to performance standards in Section 24.12.900 (350);
- c. Boat repairs (340D);
- d. Cannabis cultivation, subject to the commercial cannabis regulations, Part 14 of Chapter 24.12;

- e. Cannabis distribution and warehousing, subject to the commercial cannabis regulation, Part 14 of Chapter 24.12;
- f. Cannabis manufacturing, subject to the commercial cannabis regulations, Part 14 of Chapter 24.12;
- g. Cannabis retail, subject to the commercial cannabis regulations, Part 14 of Chapter 24.12;
- h. Churches (500);
- i. Communication and information services (550);
- j. Community organizations, associations, clubs and meeting halls (570);
- k. Eating and drinking establishments, subject to live entertainment and alcohol regulations of Chapter 24.12 (280);
- l. Educational facilities (public/private) (510);
- m. Fabricated metal products (150);
- n. Food and beverage stores (except liquor and convenience stores) (240);
- o. Forestry services (010);
- p. Government and public agencies (530);
- q. Leather tanning (110);
- r. Off-site public/private parking facilities, five or more spaces (930);
- s. Other manufacturing and processing industries (except bulk petroleum, scrap and waste materials) (155);
- t. Parks (700);
- u. Stone, clay, glass products (140);
- v. Temporary structures;
- w. Transportation facilities (560);
- x. Utilities and resources (540);
- y. Wireless telecommunications facilities, subject to the regulations in Part 15 of Chapter 24.12.

2. The following uses require a special use permit and are subject to other applicable requirements of the municipal code. All industrial classifications from 125 to 145 shall comply with all performance standards listed in Part 2 of the Environmental Resource Management provisions (numerical references at the ends of these categories reflect the general use classifications listed in the city's land use codes. Subcategories of uses within these use categories can be found in the land use codes, but they are not intended to be an exhaustive list of potential uses):

- a. Building material/garden supply stores (220) with forty thousand square feet or more including indoor floor area and outdoor storage, display, or sales areas. For building materials/garden supply stores of which fifty percent or more of the square footage will occupy an existing building, this threshold will be seventy-five thousand square feet including indoor floor area and outdoor storage, display, or sales areas so long as vacant, available space in existing buildings in the IG Zone exceeds four hundred thousand

square feet. When the vacant, available square footage is less than four hundred thousand square feet, the forty-thousand-square-foot threshold will apply;

- b. Chemicals and allied products, subject to performance standards (130);
- c. Large family daycare;
- d. Group quarters (850);
- e. Multiple dwellings or condominiums subject to R-M District regulations (830, 840);
- f. Nightclubs/music halls, subject to live entertainment and alcohol regulations of Chapter 24.12 (630);
- g. Paper and allied products subject to performance standards (125);
- h. Parks and recreation facilities, subject to alcohol regulations in Part 12 of Chapter 24.12 (720);
- i. Primary metals and material subject to performance standards (145);
- j. Rubber, plastic, miscellaneous materials and products subject to performance standards (135);
- k. Single-room occupancy (SRO) housing (860) under the following conditions:
 - (1) The site is located within one-quarter mile (one thousand three hundred twenty feet) of a grocery store.
 - (2) The lot size is less than six thousand square feet.
 - (3) The SRO is part of a mixed use project, sharing the site and/or building with a use that is allowed under Section 24.10.1505, Principal permitted uses, is in conformance with Section 24.10.1540(2), and complies with the following requirements:
 - (a) The SRO development and the mixed use business are under one ownership.
 - (b) The amount of building space occupied by the nonresidential use is either at a minimum equal to the SRO or residential use or the nonresidential use occupies the entire ground floor of the development.
 - (4) Ambient interior noise levels can be mitigated below forty-five decibels.
 - (5) Air quality on and around the site, including odors resulting from adjacent land uses, is not considered a potential health hazard and/or objectionable to residential use;
- l. Smoking lounges as defined in Section 24.22.748.2 and subject to the siting criteria and performance standards in Chapter 5.54;
- m. Emergency shelters subject to regulations in Part 17 of Chapter 24.12.

Section 6. Section 24.10.1605 through Section 24.10.1615 of Part 16B of Chapter 24.10 (IG/PER-2: GENERAL INDUSTRIAL DISTRICT/PERFORMANCE DISTRICT) of the Santa Cruz Municipal Code is hereby amended as follows:

24.10.1605 PRINCIPAL PERMITTED USES.

1. The following uses are allowed outright, subject to other requirements of the municipal code (numerical references at the end of these categories reflect the general use classifications listed in the city's land use codes. Further refinement of uses within these categories can be found in the land use codes, but they are not intended to be an exhaustive list of potential uses):

- a. Acting/art/music/dance schools and studios (610);
- b. Adult school/work force training (510F);
- c. Building materials/garden supply stores (220) with less than 40,000 square feet including indoor floor area and outdoor storage, display, or sales area. For building materials/garden supply stores of which 50% or more of the square footage will occupy an existing building, this threshold will be 75,000 square feet including indoor floor area and outdoor storage, display, or sales areas so long as vacant, available space in existing buildings in the IG zone exceeds 400,000 square feet. When the vacant, available square footage is less than 400,000 square feet, the 40,000 square foot threshold will apply.
- d. Communication and information services (550);
- e. Financial, insurance, real estate offices (420);
- f. Fabricated metal products (150);
- g. Food and beverage preparation and production (100);
- h. Furniture and fixtures (120);
- i. Medical/health offices/laboratories, including cannabis testing (410);
- j. Millwork textile products (105);
- k. Other manufacturing and processing industries (except bulk petroleum, scrap and waste materials) (155);
- l. Primary metals and material subject to performance standards (145);
- m. Rubber, plastic, miscellaneous materials and products subject to performance standards (135);
- n. Printing and publishing or lithographic shops and plants;
- o. Professional offices (400);
- p. Professional/personal service (except mortuaries) (310);
- q. Rental service (360);
- r. Repair, alterations, maintenance (including boat repairs) (340);
- s. Small family daycare facility in a single-family home or duplex;
- t. Start-up fabrication assembly or packaging from light metals, prepared materials, or prefabricated parts, including electrical devices;
- u. Stone, clay, glass design and production (140);
- v. Storage warehousing (330);
- w. Technology related research and development facilities and products;
- x. Wholesale trade durable goods (210);
- y. Wholesale trade nondurable goods (200).

24.10.1610 USE PERMIT REQUIREMENT.

1. The following uses require an administrative use permit and are subject to other applicable requirements of the Municipal Code (numerical references at the end of these categories reflect the general use classifications listed in the city's land use codes. Subcategories of uses within these use categories can be found in the land use codes, but they are not intended to be an exhaustive list of potential uses):

- a. Agriculture (000);
- b. Auto services and repairs, including trucks, heavy equipment and auto towing, subject to performance standards in Section 24.12.900 (350);
- c. Cannabis cultivation, subject to the commercial cannabis regulations, Part 14 of Chapter 24.12;
- d. Cannabis distribution and warehousing, subject to the commercial cannabis regulations, Part 14 of Chapter 24.12;
- e. Cannabis manufacturing, subject to the commercial cannabis regulations, Part 14 of Chapter 24.12;
- f. Cannabis retail, subject to the commercial cannabis regulations, Part 14 of Chapter 24.12;
- g. Eating and drinking establishments, subject to live entertainment and alcohol regulations of Chapter 24.12 (280);
- h. Forestry services (010);
- i. Leather tanning (110);
- j. Off-site public/private parking facilities, five or more spaces (930);
- k. Temporary structures;
- l. Utilities and resources (540);
- m. Wireless telecommunications facilities, subject to the regulations in Chapter 24.12, Part 15.

2. The following uses require a special use permit and are subject to other applicable requirements of the Municipal Code. All industrial classifications from 125 to 145 shall comply with all performance standards listed in Part 2 of the Environmental Resource Management provisions (numerical references at the end of these categories reflect the general use classifications listed in the city's land use codes. Subcategories of uses within these use categories can be found in the land use codes, but they are not intended to be an exhaustive list of potential uses):

- a. Building material/garden supply stores (220) with forty thousand square feet or more including indoor floor area and outdoor storage, display, or sales areas. For building materials/garden supply stores of which fifty percent or more of the square footage will occupy an existing building, this threshold will be seventy-five thousand square feet including indoor floor area and outdoor storage, display, or sales areas so long as vacant, available space in existing buildings in the IG zone exceeds four hundred thousand

square feet. When the vacant, available square footage is less than four hundred thousand square feet, the forty-thousand-square-foot threshold will apply;

- b. Chemicals and allied products, subject to performance standards (130);
- c. Large family daycare homes;
- d. Food and beverage stores (except liquor and convenience stores) (240);
- e. Government and public agencies (530);
- f. Group quarters (850);
- g. Multiple dwellings or condominiums subject to R-M district regulations (830, 840);
- h. Paper and allied products subject to performance standards (125);
- i. Parks and recreation facilities, subject to alcohol regulations in Chapter 24.12, Part 12 (720);
- j. Single-room occupancy (SRO) housing (860) under the following conditions:
 - (1) The site is located within one-quarter mile (one thousand three hundred twenty feet) of a grocery store.
 - (2) The lot size is less than six thousand square feet.
 - (3) The SRO is part of a mixed use project, sharing the site and/or building with a use that is allowed under Section 24.10.1505, Principal Permitted Uses, is in conformance with Section 24.10.1540(2), and complies with the following requirements:
 - (a) The SRO development and the mixed use business are under one ownership.
 - (b) The amount of building space occupied by the nonresidential use is either at a minimum equal to the SRO or residential use or the nonresidential use occupies the entire ground floor of the development.
 - (4) Ambient interior noise levels can be mitigated below forty-five decibels.
 - (5) Air quality on and around the site, including odors resulting from adjacent land uses, is not considered a potential health hazard and/or objectionable to residential use;
- k. Transportation facilities (560).

24.10.1615 ACCESSORY USES.

- 1. Uses and buildings customarily appurtenant or incidental to uses listed in Section 24.10.1510 subject to the provisions of Section 24.12.140, including service facilities such as bank ATMs, cafeterias, employee recreation centers, daycare and other similar installations; intended solely for use by the occupants of a principal permitted use or uses.
- 2. Incidental retail sales unrelated to cannabis are a permitted use if:
 - a. The incidental retail sales are directly related to and supportive of a permitted or conditionally permitted use operating on the site; and

- b. The incidental retail sales area occupies no more than 20 percent of the gross building floor area used or 1,000 square feet, whichever is less, and occupied by the permitted or conditionally permitted use; and
- c. The incidental retail sales has hours of operation similar to or less than the related permitted or conditionally permitted use except that the hours should not exceed 8:00 am to 10:00 pm.

Section 7. Part 14 (COMMERCIAL MEDICAL AND ADULT USE CANNABIS REGULATIONS) of Chapter 24.12 of the Santa Cruz Municipal Code is hereby amended as follows:

PART 14: COMMERCIAL MEDICAL AND ADULT USE CANNABIS REGULATIONS

24.12.1300 PURPOSE.

The state of California decriminalized the use of medical marijuana under the Compassionate Use Act of 1996. The adult use of non-medical marijuana was approved by the voters in the state in 2016 through the passage of the Control, Regulate and Tax Adult Use of Marijuana Act (AUMA), modified and updated in 2017 by Senate Bill No. 94 and Assembly Bill No. 133. The regulations contained in this chapter are established to provide direction and to protect the community from negative impacts related to commercial cannabis uses, both medical (medicinal) and adult use (recreational), consistent with state law and the will of the voters of the city. These regulations shall apply to all commercial cannabis businesses, including both for-profit and nonprofit.

24.12.1310 ADMINISTRATIVE USE PERMIT REQUIRED.

All commercial cannabis uses allowed within the city must be authorized pursuant to the procedures described in Section 24.08.030 for administrative use permits with the exception of testing laboratories, which are principal permitted uses in IG and IG/PER-2 districts. Each commercial cannabis business shall meet the siting criteria and performance standards described below in addition to the other requirements of the zoning districts in which they are located, the licensing requirements set forth in Chapter 6.91, and other state and local laws and regulations. For properties with multiple tenant spaces, separate use permits are required for each separate business unless a master use permit is approved per Section 24.08.027.

24.12.1320 USE TYPES – SITING CRITERIA.

Commercial cannabis uses allowed in the city include cultivation, distribution and warehousing, testing laboratories, manufacturing, and retail sales. Delivery services shall not be allowed as separate businesses but may only be performed by a state licensed retailer, microbusiness (as defined under Section 26070(a)(3) of the state of California Business and Professions Code), or

nonprofit (as defined under Section 26070.5 of the state of California Business and Professions Code). Businesses that provide delivery services to consumers within the city must be located within and licensed by the city. No deliveries may be made to consumers within the city by businesses not located and permitted within the city limits. This in no way limits wholesale distribution of cannabis and cannabis products by licensed distributors to licensed manufacturing facilities, distribution warehouses, or retailers within the city limits. All cannabis-related businesses and any business that includes cannabis or cannabis products are required to have valid state licenses for their business type(s) in addition to meeting all the requirements contained herein.

1. **Cultivation.** Commercial cultivation of cannabis is allowed in General Industrial (I-G) and General Industrial Performance (IG/PER-2) districts subject to the approval of an administrative use permit and the obtaining of an appropriate state license for indoor cultivation of less than 10,000 square feet. Such cultivation within the city shall not be subject to the state's locational restrictions per Section 26054(b) of the state of California Business and Professions Code; however, the premises of any cultivation facility shall be kept locked and secured at all times. Cannabis cultivation is limited to no more than 10,000 square feet and must be contained within a permanent building.
2. **Distribution and Warehousing.** Cannabis distribution and warehousing uses are allowed in General Industrial (I-G) and General Industrial Performance (IG/PER-2) districts subject to the approval of an administrative use permit and the obtaining of a distribution license from the state of California. Distribution and warehousing within the city shall not be subject to the state's locational restrictions per Section 26054(b) of the state of California Business and Professions Code; however, the premises of any distribution and warehousing facility shall be kept locked and secured at all times.
3. **Testing Laboratories.** Cannabis testing laboratories are allowed in the General Industrial (I-G) and General Industrial Performance (IG/PER-2) districts subject to obtaining a state license for testing laboratories. Testing laboratories shall not be combined with any other cannabis use and no proprietor, partner, or employee of a testing laboratory may own, work for, or be a partner in any other licensed cannabis business. Testing laboratories are not subject to the state's locational restrictions per Section 26054(b) of the state of California Business and Professions Code; however, the premises of any cannabis testing facility shall be kept locked and secured at all times.
4. **Manufacturing.** Cannabis manufacturing facilities are allowed in General Industrial (I-G) and General Industrial Performance (IG/PER-2) districts subject to the approval of an administrative use permit and the obtaining of a state cannabis manufacturing license. Manufacturing facilities with Level 1 state licenses (using only nonvolatile or no solvents) within the city shall not be subject to the state's locational restrictions per Section 26054(b) of the state of California Business and Professions Code; however, the premises of any cannabis manufacturing facility shall be kept locked and secured at all times. Manufacturing facilities with Level 2 state licenses (those that use volatile

solvents) shall not be located within 600 feet, as measured from the property lines, from any school providing instruction in kindergarten or any grades 1 through 12, day care center, or youth center (as defined in Section 11353.1 of the state of California Health and Safety Code) that is in existence at the time the state license for the facility is issued.

5. Cannabis Retail Sales. Cannabis retail sales, including both medical (medicinal) and adult use (recreational) cannabis, for-profit or nonprofit, are allowed in Community Commercial (C-C), Thoroughfare Commercial (C-T), General Industrial (I-G), and General Industrial Performance (IG/PER-2) districts with approval of an administrative use permit and city cannabis retailer license per Section 6.91 of this Code, and the obtaining of a state cannabis retailer or nonprofit license. Cultivation, manufacturing, and distribution functions of cannabis businesses holding state microbusiness licenses are allowed in General Industrial (I-G) and General Industrial Performance (IG/PER-2) districts only with an administrative use permit. Retail sales for cannabis businesses holding State microbusiness licenses shall follow all zoning district use and locational criteria and shall obtain both an administrative use permit and a city cannabis retailer license.

Cannabis retail sales facilities, including nonprofit and microbusiness, shall not be located within 600 feet, as measured from the property lines, from any school providing instruction in kindergarten or any grades 1 through 12, day care center, or youth center (as defined in Section 11353.1 of the state of California Health and Safety Code) that is in existence at the time the state license for the facility is issued. In addition, no new retail sales facility, including a business holding a nonprofit or state microbusiness license, shall be located within 600 feet from an existing cannabis retail sales facility.

24.12.1330 EXCEPTION. The zoning administrator, or planning commission or the city council on appeal, may grant an exception to the six-hundred-foot distance requirement between a cannabis retail sales facility or a manufacturing facility with a Level 2 state license and other uses as noted above only if findings are made that the general public benefit that could be served by the issuance of the administrative use permit would outweigh concerns regarding intensity of use, land use compatibility, and public health and safety. The burden of proof is on the applicant to demonstrate that the overall effect would be positive.

24.12.1340 PERFORMANCE STANDARDS. Commercial cannabis businesses, once permitted, shall meet the following operating procedures and performance standards for the duration of the use:

1. The business shall meet all the operating criteria, including security procedures, for the cultivation, distribution and warehousing, manufacturing, testing, and retail sales of cannabis and cannabis products as may be required by the state of California, the Santa

Cruz city council and police department, and/or the county health department or their designee.

2. No product shall be smoked, ingested, or otherwise consumed on the premises.

3. The hours of operation shall be limited to no more than 7:00 a.m. to 9:00 p.m. dependent upon the specific site characteristics and conditions of approval of the administrative use permit issued for the site. In general, no cannabis retail business shall open earlier or close later than the other businesses in the vicinity.

4. The business shall prevent loitering by persons outside the establishment, either on the premises or within fifty feet of the premises.

5. A cannabis retail business shall provide litter removal services each day of operation on and in front of the premises and, if necessary, on public sidewalks within fifty feet of the premises.

6. Cannabis businesses shall contain an air filtration system to regulate odor.

7. All exhaust fans directing air outside shall be secured to prevent forced entry to the facility.

8. The business shall provide adequate security on the premises to ensure the safety of persons and to protect the premises from theft. All security shall, at a minimum, meet the requirements of state law for cannabis businesses as well as any additional requirements included as conditions of approval for the site use permit. Minimum city security requirements include:

a. Security alarms for the building that include motion activation and manual activation capabilities;

b. Exterior security lights that provide 360-degree coverage around the perimeter of all buildings while meeting the performance standards in the Zoning Ordinance;

c. Exterior security cameras that provide 360-degree coverage around the perimeter of all egress and ingress into the building. The security camera system shall have the capability to provide the recordings to police within 24 hours;

d. Interior cameras within the business itself that cover the doors, windows, and the sales counter area of the business;

e. Doors leading into the vestibules and all rooms used for growing and processing (drying) cannabis must be steel and have a bolt lock or key pad lock;

f. All rooms used for growing and processing shall be fire-rated, solid-core doors and shall remain locked;

g. All doors and windows shall be fortified and levered windows replaced with solid windows that have a security coating to prevent illegal entry; and

h. Cannabis retail businesses that are open to the public shall provide an onsite security guard during business hours and adequate security on the premises, including lighting and alarms, to insure the safety of persons and to protect the premises from theft.

All security procedures and systems shall be reviewed and approved by the Police Department.

9. Exterior lighting of the parking area shall be kept at a sufficient intensity so as to provide adequate lighting for patrons and employees, while not disturbing surrounding residential or commercial areas.

10. Signage for the establishment shall be limited to one wall sign not to exceed twenty square feet in area, and one identifying sign not to exceed two square feet in area; such signs shall not be directly illuminated. All signage and advertising shall comply with Sections 26150 through 26155 of the state of California Business and Professions Code.

11. The business shall provide the zoning administrator, the chief of police, and all neighbors located within fifty feet of the establishment with the name, phone number, and facsimile number of an on-site community relations staff person to whom notice can be provided if there are operating problems associated with the establishment. The business shall make every good faith effort to encourage neighbors to call this person to try to solve operating problems, if any, before any calls or complaints are made to the police department or the zoning administrator.

12. The business shall post a copy of the conditions of approval for the administrative use permit on the premises in a place where it may be readily viewed by any member of the general public. A copy of the city cannabis retailer license (for retail businesses) and the state cannabis license (for all cannabis businesses) shall also be posted in a prominent position on the premises.

13. The business shall meet any specific additional operating procedures and measures as may be imposed as conditions of approval by the zoning administrator at the time of issuance of the administrative use permit in order to ensure that the business will be a good neighbor.

14. In addition to the required application materials, the business shall submit an operations manual to describe the operation of the facility in conformance with these performance standards and the requirements of state law. The operations manual shall be consistent with the operations plan submitted to the state in the business' state license application.

15. To offset power consumption, the business shall install solar panels to provide as much power as possible for the indoor cultivation and manufacturing of cannabis and cannabis products. Businesses that can demonstrate low power usage or that use power from clean energy sources may be excused from this requirement. Commercial cannabis businesses shall meet the city's green building requirements.

16. Trash containing cannabis and cannabis products or byproducts shall be disposed of securely. The business owner shall work with the Police Department and the city's waste/recycling program to create a process for safe and secure disposal of waste materials.

17. A cannabis business is not allowed as an accessory use to any other principal, special, or conditional use. All cannabis businesses are subject to the applicable administrative use permit and cannabis retailer license requirements.

18. A cannabis business shall not be operated as a home occupation.

24.12.1350 FINDINGS. In approving an administrative use permit, it shall be determined by the hearing body that all of the following apply:

1. The proposed use complies with all of the mandatory requirements of this section and other applicable sections of this code and applicable policies of the General Plan and Local Coastal Program if located within the Coastal Zone;

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

3. The operational characteristics of the proposed use, including but not limited to hours of operation, noise, odor, amount and location of parking, signage, loitering, and litter, will not have a negative impact upon the surrounding 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;

5. The proposed use is not located in what has been determined by the Santa Cruz police department to be a high-crime area, where a disproportionate number of police service calls occur, or where there is currently parking congestion; and

6. The proposed use shall meet all the building, electrical, and fire code requirements for such occupancy.

24.12.1360 CONDITIONS. The zoning administrator, or planning commission or city council on appeal, may deny any application which is inconsistent with the above-noted findings, or may impose any additional conditions on the applicant or proposed location reasonably related thereto, or to the health, safety, or welfare of the community, in addition to the specific requirements set forth in this section. No use permit shall be approved for any individual or business that owes back taxes to the City unless those taxes are paid prior to the approval of the use permit.

24.12.1370 VIOLATIONS AND ABATEMENT. The zoning administrator may issue a cease and desist order or "stop order" for all activities subject to the administrative use permit for any establishment deemed by the zoning administrator to be in violation of any condition of approval of the administrative use permit or to otherwise constitute a public nuisance. The stop order shall be in effect immediately, pursuant to the procedures of Section 24.04.221. Upon

issuance of the stop order, the zoning administrator shall schedule a public hearing to consider the revocation of the administrative use permit pursuant to Section 24.04.225.

24.12.1380 EXPIRATION. An administrative use permit for a cannabis business shall expire if not exercised within one year of approval. Once a permit has been exercised, it remains effective unless terminated (including through expiration as discussed below) or modified, but shall expire and become void where the use has ceased for a period of six consecutive months, whether or not it is the intent of the business and/or property owner to abandon the use. Should a business operating with an approved use permit continue to operate after losing or failing to renew a state or city license, the business shall be considered to have ceased operating upon the date that the state or city license is lost or expires even if the business operator continues operations without the license. If the business fails to obtain or renew the necessary license(s) within six months of the date the license(s) is (are) lost or expire, the use permit shall expire and become void.

24.12.1390 AUTOMATIC EXPANSION OF EXISTING USE PERMITS FOR MEDICAL MARIJUANA PROVIDER ASSOCIATION DISPENSARIES. At the time that these regulations are adopted, the city has two existing use permits for medical marijuana provider association dispensaries, formed under the prior regulations to meet state law at the time those regulations were adopted and the dispensaries established. To prevent the existing dispensaries from operating at a disadvantage to businesses established under the new regulations, the city shall automatically expand the existing use permits for those two businesses to allow the retail sale of adult use (recreational) cannabis. All other state and local laws, regulations, and ordinances apply to these businesses and they must apply for and receive city cannabis retailer licenses and state retail licenses prior to selling adult use (recreational) cannabis and cannabis products.