



# City of Oceanside

300 North Coast Highway,  
Oceanside, California 92054

## Staff Report

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**File #:** 26-1266

**Agenda Date:** 3/11/2026

**Agenda #:** 20.

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**DATE:** March 11, 2026

**TO:** Honorable Mayor and City Councilmembers

**FROM:** Development Services Department

**TITLE: AMENDMENT OF CHAPTER 7 OF THE OCEANSIDE CITY CODE TO ADD A LIMITED EXEMPTION FROM THE TOBACCO RETAIL LICENSE REQUIREMENT FOR RETAILERS WITH SMALL CIGAR DISPLAY CASES**

### **RECOMMENDATION**

Staff recommends that the City Council introduce an ordinance amending Chapter 7 of the Oceanside City Code to add a new, narrowly tailored exemption from the Tobacco Retail License (TRL) requirement for qualifying cigar-only retailers.

### **BACKGROUND AND ANALYSIS**

Pursuant to Chapter 7 of the Oceanside City Code (OCC), any retailer selling tobacco products must first obtain and then maintain a TRL issued by the City. At its March 26, 2025, meeting, the City Council directed staff to create an exemption from the TRL requirement allowing retailers who only display and sell cigars from a single small display case to operate without obtaining a traditional TRL as required by the OCC Section 7.92.1(a)(1). The City Council's direction to create this exemption was based on concerns that the existing TRL requirement may impose disproportionate administrative burdens on small-scale specialty retailers selling only cigars from limited displays, while providing limited additional public health benefit given the low risk of youth access. The proposed exemption is intended to maintain core youth-access safeguards while allowing City enforcement resources to remain focused on higher-risk tobacco retail activity.

The proposed amendment would allow such an exemption only if the retailer complies with certain, narrow restrictions. First, the retailer may only sell cigars having a pre-tax price of \$12 or more per cigar. Second, the cigar display case must be limited in size so that it does not exceed 16 inches in any dimension. This dimension is recommended based on field observations of the display cases associated with the types of retailers to be exempted. Finally, no tobacco products other than cigars may be sold by an exempt retailer.

To ensure compliance with these limitations, retailers seeking this exemption must document eligibility for the exemption and may be inspected by staff. As set forth in the proposed ordinance, compliance inspections are a condition of the exemption, and refusal to permit a reasonable inspection may result in loss of the exemption. Additionally, the retailer must comply with all other state and local tobacco-sales regulations. These include keeping the display case in an area that

prevents self-service or access by minors, continuing to display the required age-of-sale / age-verification warning signage at each point of sale, verifying the age of a buyer before completing a sale. Exempt retailers remain subject to all other provisions of OCC Section 7.92, including the prohibition on self-service merchandising and the requirement for vendor-assisted sales.

Importantly, the proposed exemption does not eliminate all licensing requirements. Exempt retailers must still obtain and maintain a valid California Cigarette and Tobacco Products Retailer's License issued by the California Department of Tax and Fee Administration pursuant to Business and Professions Code Section 22970 et seq. The exemption applies only to the City's local TRL requirement under OCC Section 7.92.1.

Should an exempted retailer be found in violation of any tobacco-related requirement described in Chapter 7 of the OCC, that retailer may lose its exemption and be required to obtain a regular TRL and pay the full license fee. All other provisions of Chapter 7 would remain in effect for an exempted retailer.

## **ANALYSIS**

The proposed exemption is intentionally narrow and applies to a very limited subset of tobacco retailers. Of the approximately 100 tobacco retailers currently licensed in the City, only a few are estimated to meet the proposed exemption criteria, though new retailers could also use this exemption.

The exemption is designed to allow the City's TRL program to focus regulatory and enforcement resources on retail environments that present a higher risk of youth access and noncompliance, while reducing the administrative burden for low-risk specialty retailers that sell only cigars under strict conditions. Those conditions include requirements pertaining to cigar-only sales, a single small display case, a minimum price per cigar, vendor-assisted sales, and continued compliance with inspection requirements.

The ordinance includes multiple safeguards to ensure that the exemption cannot be used to circumvent the City's tobacco control objectives. Retailers must continue to comply with all other applicable provisions of Chapter 7, must maintain a valid state TRL, and would lose the exemption if they fail to meet any eligibility criterion.

The City Council may alternatively elect to maintain the existing licensing requirement for all tobacco retailers. Staff recommends adoption of the exemption as proposed in order to maintain public health protections while allocating enforcement resources proportionate to risk.

**FISCAL IMPACT**

The TRL fee is currently \$319.63. Because the proposed amendment would only exempt a small number of retailers, no significant fiscal impact is anticipated.

Based on fewer than three retailers currently meeting the exemption criteria, the maximum annual reduction in TRL fee revenue would be approximately \$960. This limited impact is not anticipated to materially affect City revenues and may be offset by reduced administrative and enforcement costs.

**COMMISSION OR COMMITTEE REPORT**

Does not apply.

**CITY ATTORNEY'S ANALYSIS**

The referenced documents have been reviewed by the City Attorney and approved as to form.

Prepared by: Kirk Mundt, Code Enforcement Division Manager  
Reviewed by: Darlene Nicandro, Development Services Director  
Submitted by: Jonathan Borrego, City Manager

**ATTACHMENTS:**

1. Staff Report
2. Ordinance