



City of Oceanside

300 North Coast Highway,
Oceanside, California 92054

Staff Report

File #: 26-1445

Agenda Date: 5/20/2026

Agenda #: 18.

DATE: May 20, 2026

TO: Honorable Mayor and City Councilmembers

FROM: Development Services Department

TITLE: CONSIDERATION OF A CONDITIONAL USE PERMIT (CUP25-00003) FOR A CANNABIS CULTIVATION FACILITY WITHIN 25 HOOPHOUSE STRUCTURES LOCATED AT 1319 SLEEPING INDIAN ROAD - SOUTH MORRO HILLS 47 - APPLICANT: SOUTH MORRO HILLS 47, LLC

RECOMMENDATION

Staff and the Planning Commission recommend that the City Council confirm issuance of a Class 1 “Existing Facilities” Categorical Exemption per the California Environmental Quality Act (CEQA); and adopt a resolution approving CUP25-00003 to allow an indoor, mixed-light cannabis cultivation facility within 25 hoop house structures at 1319 Sleeping Indian Road.

BACKGROUND AND ANALYSIS

The project site is a 1.88-acre portion of the Campbell Ranch property, comprised of four parcels totaling 78.61 acres, located at 1319 Sleeping Indian Road in the South Morro Hills Neighborhood Planning Area. The property has a General Plan land use and zoning designation of Agricultural (A). Surrounding properties are zoned Agricultural and are primarily used for agricultural and/or single-family residential purposes. A map of the project site is provided in Attachment 1.

The project site currently hosts a variety of agricultural operations, including production of industrial hemp, ornamental plants, succulents, and box-trees. Armstrong Growers is the main tenant of the property and occupies existing greenhouse structures on a separate portion of the property. Lusso-Adelanto, which shares much of the same ownership as South Morro Hills 47 (Applicant), conducts hemp cultivation within twenty-five existing hoop houses which total 43,375 square feet. There are no residential uses on the property.

All cannabis facilities allowed inside city limits (cultivation, nursery, testing lab, manufacturing, distribution, retail) are subject to a dual-licensing process. First, an applicant must secure a local license pursuant to Chapter 7, Article XIII of the Oceanside City Code (OCC). Then, a Conditional Use Permit (CUP) is required pursuant to Article 36 of the Oceanside Zoning Ordinance (OZO). Local licenses are held by the business owner(s) and may be transferred upon meeting certain requirements. CUPs were developed to permit “uses” not permitted by right with additional oversight related to the operation. CUPs are not subject to an expiration date and continue with the land and therefore are not tied to specific operators. Morro Hills Cultivators, LLC, was awarded one of 12 cannabis cultivation licenses via a merit-based selection process on September 1, 2019. It later

transferred the license to South Morro Hills 47 (Applicant) in 2021.

The subject CUP is a request allow a mixed-light (utilizing both artificial and natural light) cannabis cultivation facility with a maximum canopy of approximately 43,375 square feet. The cultivation activities would take place within the 25 existing hoop houses currently being used for the production of industrial hemp. No cannabis growing operations would occur outside the hoop houses. As authorized by the state and local licenses, the cannabis use would be permitted only to plant, grow, harvest, dry, cure, grade, or trim cannabis; all transfers of cannabis and cannabis products would be conducted only by licensed cannabis distributors. All cannabis companies in California must utilize the State's track-and-trace software to monitor movement of cannabis products from seed-to-sale. Onsite-sales or direct delivery to the public is strictly prohibited.

Access to the project site would be provided from Sleeping Indian Road. Employee parking areas would be provided on site, with two locations to accommodate the 20 proposed parking spaces. Up to eight employees are anticipated for the facility, excluding security personnel. Staff does not expect there to be more than one security guard on site at any given time, beyond a short overlap during shift changes. As proposed, the facility would operate from 6:00 A.M. to 5:00 P.M., seven days a week.

The hoop houses would be split into five hoop house clusters, each will consist of five connected structures totaling 150 feet wide with a maximum height of 17.5 feet. As proposed, the hoop houses would be secured with polyethylene or polycarbonate panels. Each hoop house would be equipped with solar-powered LED lights to provide a mixed-light growing environment.

Security: The facility would be secured via a double-layer security fence, lined with 16 360-degree surveillance cameras and 12 security lights. In addition, each individual hoop house would be equipped with an internal surveillance camera. Pursuant to OCC Chapter 7, cannabis businesses must have video surveillance, an active alarm system, signage prohibiting access, security lighting, commercial grade locks, and 24-hour armed security personnel onsite. The project would be conditioned to require continual compliance with Chapter 7 of the City Code including the above requirements. Oceanside Police Department (OPD) staff also reviewed the subject request and gave security suggestions. The applicant is proposing to satisfy all applicable OPD suggestions.

Odor Control: Odor control would be provided in the enclosed structures through a negative air pressure system with a carbon scrubber. Each fan would be fitted with exterior misting bars to increase effectiveness of the odor control system. Additional odor control may be provided, as needed, via odor neutralizers added to the proposed water wall evaporative cooling system.

ANALYSIS

The project is subject to review for consistency with the following plans, policies, and ordinances:

1. General Plan
2. Zoning Ordinance
3. Oceanside City Code
4. State Licensing

5. California Environmental Quality Act (CEQA)

1. General Plan Consistency

The General Plan land use designation of the subject property is Agricultural (A). Cannabis cultivation is an agricultural use and is therefore consistent with this designation. It is also consistent with several goals and policies of the City's General Plan as follows:

Land Use Element Policy 1.12C: The use of land shall not subject people to potential sources of objectionable noise, light, odors, and other emissions nor to exposure of toxic, radioactive, or other dangerous materials.

The proposed project would incorporate various features into the design of the project to ensure that surrounding properties would not be affected by the proposed operations. Odor would be controlled within the proposed structures via a negative air pressure system with carbon scrubbers as well as misting apparatuses on each fan. All proposed lighting, interior and exterior, would be directed downward as to not trespass onto surrounding properties.

Land Use Element Policy 2.5A: Agricultural areas are characterized by their primary function that is to farm, graze, or conduct animal husbandry. Agricultural areas typically involve contiguous tracts of agricultural land uses with only a very minor intrusion of non-agricultural land uses. These nonagricultural land uses are only of the type and size to service the special needs of the agricultural area.

The proposed cannabis cultivation facility is an agricultural use consistent with the agricultural operations of the property and the surrounding area. The project would not introduce nonagricultural uses inconsistent with the purposes of the Agricultural land use designation.

Economic Development Element Goal EDE-3e: Consistent with the land use element, take actions to help agriculture remain economically viable over the long term.

According to the San Diego County Farm Bureau, the San Diego region currently has the 12th largest farm economy in the United States. Several of the industry clusters are within the North County area, including manufacturing, biomedical devices and products, fruits and vegetables, horticulture and specialty foods/microbreweries. The owners of the project site state that they moved their business to South Morro Hills in 1994 and have been downsizing their avocado and ornamental container business every year since moving. Currently they are only farming 25 of the 142 acres. They also state that the hardship created by drought, water cost increases, high property taxes, imports of fruit and flowers, and other external factors beyond their control have led them to seek a new tenant. The project helps the agricultural use within Oceanside remain viable by preserving and expanding agricultural activities on an underutilized agricultural property, and it also adds to the non-storefront and storefront retail sustainability and ecosystem.

2. Zoning Compliance

Cannabis cultivation facilities are allowed in the Agricultural District subject to compliance with Oceanside Zoning Ordinance Articles 14 (Agricultural District), 36 (Separation of Regulated Uses), and 41 (Use Permits and Variances), the Local License requirements in Oceanside City Code (OCC)

Chapter 7 Article XIII, and all applicable state licensing requirements. As proposed, the project complies with all applicable development standards.

Table 1: Agricultural Development Standards

Development Standard	Requirement	Proposed
Minimum Front Yard Setback	40'	±290'
Minimum Side Yard Setback	20'	±390'
Minimum Rear Yard Setback	30'	±650'
Maximum Building Height	36'	±17'
Maximum Lot Coverage	20%	±2.1%
Minimum Landscaping	n/a	n/a
Parking Spaces	Per CUP	20

Pursuant to Article 36 - Separation of Regulated Uses, cannabis facilities shall be located more than 1,000 feet from residential districts, other regulated uses (excluding cannabis cultivation or nursery facilities), and sensitive land uses including schools, parks, and religious facilities. Sites which cannot meet the prescribed separations must request a waiver of locational requirements. The site is not located within one-half mile of any of the above uses and therefore does not require a waiver.

3. Oceanside City Code

South Morro Hills 47, LLC (originally Morro Hills Cultivators) was granted a local license on September 1, 2019 through the City's merit-based licensing process. The license has been renewed annually since 2019 and is currently valid.

OCC § 7.126 prescribes operational requirements for all cannabis facilities throughout the City. Among these are requirements for seed-to-sale tracking, delivery time restrictions, armed security personnel, odor control, and a prohibition on storing cash overnight. Additional requirements include utilizing commercial-grade locks and providing the Police Department a live feed of the surveillance cameras. Annual facility inspections would be required to ensure ongoing compliance with all applicable requirements. As proposed, the project is compliant with the local license requirements of OCC Chapter 7 Article XIII - Cannabis Facilities.

4. State Licensing

The cannabis cultivation facility is required to obtain and annually renew a state license issued by the Department of Cannabis Control. Pursuant to OCC § 7.119, no person or entity shall operate a cannabis facility without all of the following: a valid state license, a valid local license, and a

conditional use permit. Failure to maintain a valid state license may result in revocation of the local license.

5. Environmental Determination

Staff finds the proposed project to be categorically exempt from review under the California Environmental Quality Act (CEQA) as it qualifies for issuance of a Class 1, "Existing Facilities" categorical exemption per 14 CCR § 15301. The proposed project does not represent expansion of the existing agricultural use as the request would repurpose existing structures used for industrial hemp cultivation for the production of commercial cannabis.

PUBLIC NOTIFICATION

Pursuant to City Council Policy 300-14, legal notice was published in the newspaper and mailed notices were sent to property owners of record within 1,500 feet and tenants within 100 feet of the subject property and interested parties. To date, staff has not received any comments in response to the proposed project.

The applicant has also initiated community outreach per City Council Policy 300-14 (Enhanced Notification Program) by conducting an outreach meeting on September 9, 2025 at the Mellano Farms office. According to the applicant, the project was well received.

Letters of support from various parties, including surrounding property owners, can be found in Attachment 2, the Community Outreach Report.

FISCAL IMPACT

This project will generate revenue to the City from Measure M, the City's voter approved cannabis tax measure. Potential revenue estimates from this business are unknown at this time. The applicant has paid all fees required for the consideration of this application.

COMMISSION OR COMMITTEE REPORT

The Planning Commission conducted a public hearing on the proposed project on March 23, 2026 and voted unanimously (5-0; Balma, Dodds absent) to adopt Resolution 2026-P02 recommending City Council approval of the project. No concerns were expressed by the Commission.

CITY ATTORNEY'S ANALYSIS

The City Council is authorized to hold a public hearing in this matter. Consideration of the matter should be based on the testimony and evidence presented at the hearing. After conducting the public hearing, the Council shall affirm, modify or deny the project. The supporting documents has been reviewed and approved as to form by the City Attorney.

Prepared by: Dane Thompson, Senior Planner

Reviewed by: Brian Thomas, Acting Development Services Director
Submitted by: Jonathan Borrego, City Manager

ATTACHMENTS:

1. Site Location Exhibit
2. Community Outreach Report
3. City Council Resolution
4. March 23, 2026 Planning Commission Staff Report
5. Planning Commission Resolution 2026-P02
6. Project Plans
7. Public Correspondence