

PLANNING COMMISSION*CITY OF OCEANSIDE*

DATE: March 24, 2025

TO: Chairperson and Members of the Planning Commission

FROM: Development Services Department/Planning Division

SUBJECT: **CONSIDERATION OF A ZONE AMENDMENT (ZA25-00001) AMENDING ARTICLES 4, 11, 13, AND 36 OF THE OCEANSIDE ZONING ORDINANCE AND CHAPTER 7 ARTICLE XIII OF THE OCEANSIDE CITY CODE – STOREFRONT RETAIL CANNABIS ZONING AND CITY CODE AMENDMENT – APPLICANT: CITY OF OCEANSIDE**

RECOMMENDATION

Staff recommends that the Planning Commission recommend City Council approval of amendments to Articles 4, 11, 13, and 36 of the Oceanside Zoning Ordinance and Chapter 7 Article XIII of the Oceanside City Code, to set forth regulations for the establishment and operation of cannabis facilities by:

- (1) Adopting Planning Commission Resolution No. 2025-P08 recommending City Council approval of City Code and Zoning Amendment (ZA25-00001) with findings of approval attached herein (Attachment 1).
- (2) Confirm issuance of California Environmental Quality Act (CEQA) Guidelines Section 15061(b)(3), under the common sense exemption

BACKGROUND

The City of Oceanside's Cannabis Program was established on April 11, 2018 when the City Council adopted Ordinance 18-R0199-1 to allow medical cannabis businesses, including nurseries, cultivation, distribution, manufacturing, and testing labs, within City limits, subject to certain restrictions. Subsequently, on September 5, 2018, the City Council adopted Ordinance 18-OR0449-1 to allow no more than two medical cannabis non-storefront delivery licenses. On August 5, 2020, the City Council adopted Ordinance 20-OR0463-1 removing the medical-only restriction on cultivation licenses. The medical-only restriction was lifted for the balance of the allowable cannabis uses on June 16, 2021, thereby allowing licensed businesses to grow, process, transport, or deliver cannabis for adult use.

To date, the City has issued 20 cannabis local licenses, of which five are currently active between two companies.

TABLE 2: BREAKDOWN OF CURRENT LOCAL LICENSES

Business Type	# Licenses Allowed	# Licenses Issued	# Active Licenses
Manufacturing	No limit	4	2
Distribution	No limit	5	2
Cultivation	12	10	0
Non-storefront Retail	2	1	1
Testing Lab	No limit	0	0
TOTAL	-	20	5

In November 2020, voters approved Measure M allowing the City to impose use taxes on cannabis businesses and setting the upper and lower limits for those tax rates. On December 16, 2020, the City Council approved Resolution 20-R0707-1 setting cannabis taxes as shown in Table 3 below. Staff is not recommending any adjustment to the current Measure M tax rates at this time.

TABLE 3: EXISTING CANNABIS BUSINESS TAXES

Business Type	Established Tax Rate	Limits of Measure M
Retail	5%	2% - 6%
Manufacturing	2.5%	2% - 6%
Distribution	2%	2% - 6%
Cultivation	2%	0% - 3.5%
Testing Lab	No Tax	No Tax

On April 19, 2023, the City Council directed staff to develop a program allowing up to two licenses for storefront cannabis sales. Staff returned to the City Council on November 1, 2023 after developing a rough framework for executing the proposed Type 10 storefront retail program. Staff returned to the City Council on February 19, 2025 seeking final City Council direction after creating a comprehensive draft program for storefront retail uses. At the meeting, the City Council provided staff direction regarding the following categories: number of licenses, zoning, evaluation criteria, awarding process, Zoning Ordinance separation requirements, license deadlines and safeguards, and tax rates. Specifically, the City Council expressed desire for the City to:

1. Allow four storefront retail cannabis licenses, with the City's two existing cannabis business operators given the right of first refusal for storefront retail licenses;
2. Eliminate the existing vacant non-storefront delivery license;
3. Allow storefront retail cannabis uses in the CN, CC, CG, CL, CS-HO, CS-L, IL, and IG districts.
4. Prohibit storefront retail cannabis uses in the Coastal Zone, the Downtown District, and the Village Commercial area of the Mission San Luis Rey (SLR) Historic District; and

5. Subject storefront retail cannabis to the separation requirements of Article 36 of the Zoning Ordinance.

The City Council's direction regarding the evaluation criteria, awarding process, license deadlines and safeguards, and tax rates are outside of the purview of the Planning Commission and will not be included in this report.

PROJECT DESCRIPTION

Text modifications are proposed to the Oceanside Zoning Ordinance (OZO) and Oceanside City Code (OCC) as provided below:

OZO Article 4 – Use Classifications

The following definition would be added: *Cannabis Storefront Retailer (Type 10). Commercial retailer of cannabis products with a physical location that is open to customers.*

OZO Article 11 – Commercial Districts (Inland)

Cannabis Storefront Retailers would be added to the permitted use matrix under the Commercial Uses section. The matrix would specify that the use would be conditionally allowed in the Neighborhood Commercial (CN), Community Commercial (CC), General Commercial (CG), Limited Commercial (CL), Special Commercial - Highway Oriented (CS-HO), and Special Commercial – Limited (CS-L) districts. A limitation would be included prohibiting the use in the Commercial Village area of the Mission SLR Historic District. The use would also not be allowed in the Recreational Commercial (CR), Visitor Commercial (CV), and Professional Commercial (CP) districts.

OZO Article 13 – Industrial Districts (Inland)

Cannabis Storefront Retailers would be added to the permitted use matrix under the Commercial Uses section. The matrix would specify that the use is conditionally allowed in the Limited Industrial (IL) and General Industrial (IG) districts. The use would not be allowed in the Industrial Park (IP) district. There are currently no IP zoned sites within the City.

OZO Article 36 – Separation of Regulated Uses (Citywide)

Article 36 already considers cannabis facilities as regulated uses, except for testing labs, subjecting them to 1,000-foot separations from other regulated uses and certain sensitive uses. Language would be added to clarify that cannabis storefront retailers are included in the umbrella term “cannabis facilities.”

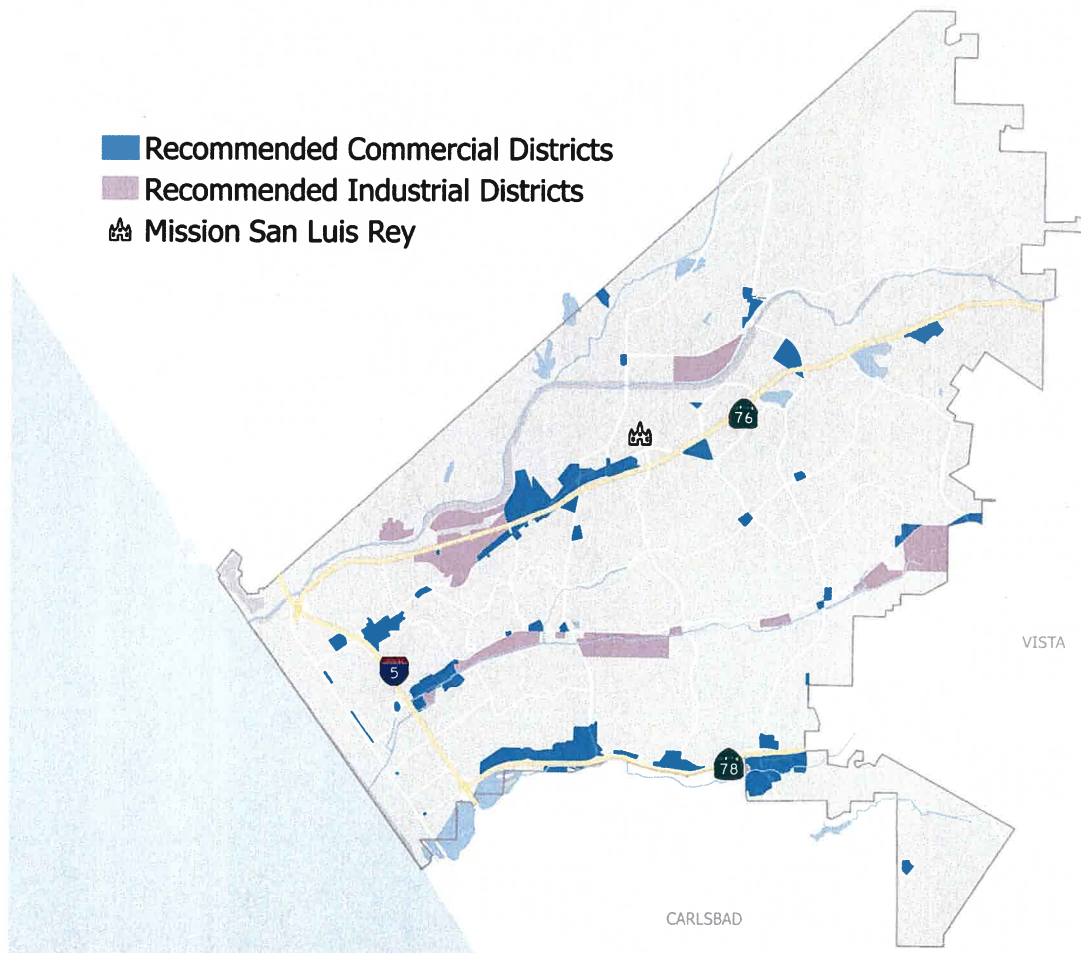
OCC Chapter 7, Article XIII – Cannabis Facilities

Various amendments have been proposed to OCC Chapter 7, Article XIII. The primary amendment would be to set a cap of four cannabis storefront retail licenses for the entire City. The OCC would also be updated to eliminate the two cannabis non-storefront retailer licenses currently available. The City's existing non-storefront operator would be able to keep their license. However, should they cease operations, that license would be forfeited and eliminated altogether. Other minor modifications are proposed to clarify operational requirements for cannabis storefront retailers.

DISCUSSION

In alignment with the City Council's direction on February 19, 2025, staff is proposing to allow no more than four storefront retail cannabis establishments in the CN, CC, CG, CL, CS-HO, CS-L, IL, and IG districts as shown in Exhibit 1. The purposes of the pertinent districts are provided below as identified in the OZO, along with specific examples.

Exhibit 1



Neighborhood Commercial District (CN)

Purpose of the CN District per OZO Article 11: *To provide sites for businesses serving the daily needs of nearby residential areas while establishing development standards that prevent significant adverse effects on residential uses adjoining a CN district*

Examples of sites within the CN District:

- Mission Promenade (El Super anchored center located on Mission Avenue and Barnes Street)
- Marketplace Del Rio (Stater Bro's anchored center located on Mission Avenue and El Camino Real)

Community Commercial District (CC):

Purpose of the CC District per OZO Article 11: *To provide sites for commercial centers containing a wide variety of commercial establishments, including businesses selling home furnishings, apparel, durable goods, and specialty items and generally having a citywide market area. Support facilities such as entertainment and restaurants are permitted, subject to certain limitations to avoid adverse effects on adjacent uses.*

Examples of sites within the CC District:

- Mission Marketplace (Target anchored center located on College Boulevard north of SR-76)
- Multiple Centers off of College Boulevard where it intersects with Lake Boulevard, Plaza Drive, and Vista Way (Notable tenants: Walmart, Kohl's, Home Depot, Hobby Lobby, T.J. Maxx)

General Commercial District (CG):

Purpose of the CG District per OZO Article 11: *To provide opportunities for the full range of retail and service businesses deemed suitable for location in Oceanside, including businesses not permitted in other commercial districts because they attract heavy vehicular traffic or have certain adverse impacts; and to provide opportunities for certain limited manufacturing uses that have impacts comparable to those of permitted retail and service uses to occupy space not in demand for retailing or services.*

Examples of sites within the CG District:

- South side of Mission Avenue between El Camino Real and Fireside Drive
- Stretch of Oceanside Boulevard between Crouch Street and Goat Hill Drive
- McDonald's Plaza (southwest corner of Mission Avenue and Canyon Drive)
- North side of Mission Avenue between San Diego Street and Barnes Street
- North side of Mission Avenue between Via El Centro and Foussat Road

Limited Commercial District (CL):

Purpose of the CL District per OZO Article 11: *To provide opportunities for a limited range of retail and service businesses that do not generate significant amounts of traffic, nor have high public service demands. Automobile-oriented uses, such as service stations and drive-up restaurants, are not permitted or are limited.*

Examples of sites within the CL District:

- South side of Apple Street between Goat Hill Drive and Crouch Street
- Oceanside Square (Center on northwest corner of Oceanside Boulevard and Temple Heights Drive)

Special Commercial District (CS):

Purpose of the CS District per OZO Article 11: *To provide opportunities for residential, commercial, public and semipublic uses appropriate for the special commercial areas identified by the General Plan. Subdistrict designators are established as:*

- *HO for highway oriented commercial areas;*
- *L for limited commercial areas including the Mission Area and certain scenic areas*

Examples of sites within the CS-HO District:

- Pacific Coast Plaza (Walmart anchored center on Vista Way west of Jefferson Street)
- Multiple Centers on Oceanside Boulevard just east of I-5 (Notable tenants: Smart & Final, Big Lots, Frazier Farms)
- Old Grove Marketplace (Lowe's anchored center off Old Grove Road and SR-76)

Examples of sites within the CS-L District:

- Stretch of Mission Avenue between El Camino Real and Rancho Del Oro Drive
- Commercial Village area of the Mission San Luis Rey (SLR) Historic District (east of Douglas Drive and El Camino Real)
- San Luis Rey Crossing (strip located at the northern terminus of College Drive where it meets North River Road)

Limited Industrial District (IL):

Purpose of the IL District per OZO Article 13: *To provide areas appropriate for a wide range of (1) moderate to low-intensity industrial uses capable of being located adjacent to residential areas with minimal buffering and attenuation measures and (2) commercial services and light manufacturing, and to protect these areas, to the extent feasible, from disruption and competition for space from unrelated retail uses or general industrial uses.*

Examples of sites within the IL District:

- Oceanside Industrial Park (Between Mission Avenue and the SR-76 west of Foussat Road)

- Area south of Oceanside Boulevard from Temple Heights Road to eastern terminus of City

General Industrial District (IG):

Purpose of the IG District per OZO Article 13: To provide and protect industrial lands for the full range of manufacturing, industrial processing, general service, and distribution uses deemed suitable for location in Oceanside; and to protect Oceanside's general industrial areas, to the extent feasible, from disruption and competition for space from unrelated retail and commercial uses that could more appropriately be located elsewhere in the city. Performance standards will minimize potential environmental impacts.

Examples of sites within the IG District:

- Both sides of Industry Street between Macdonald Street and Garrison Street

Districts Proposed to Preclude Storefront Retailers:

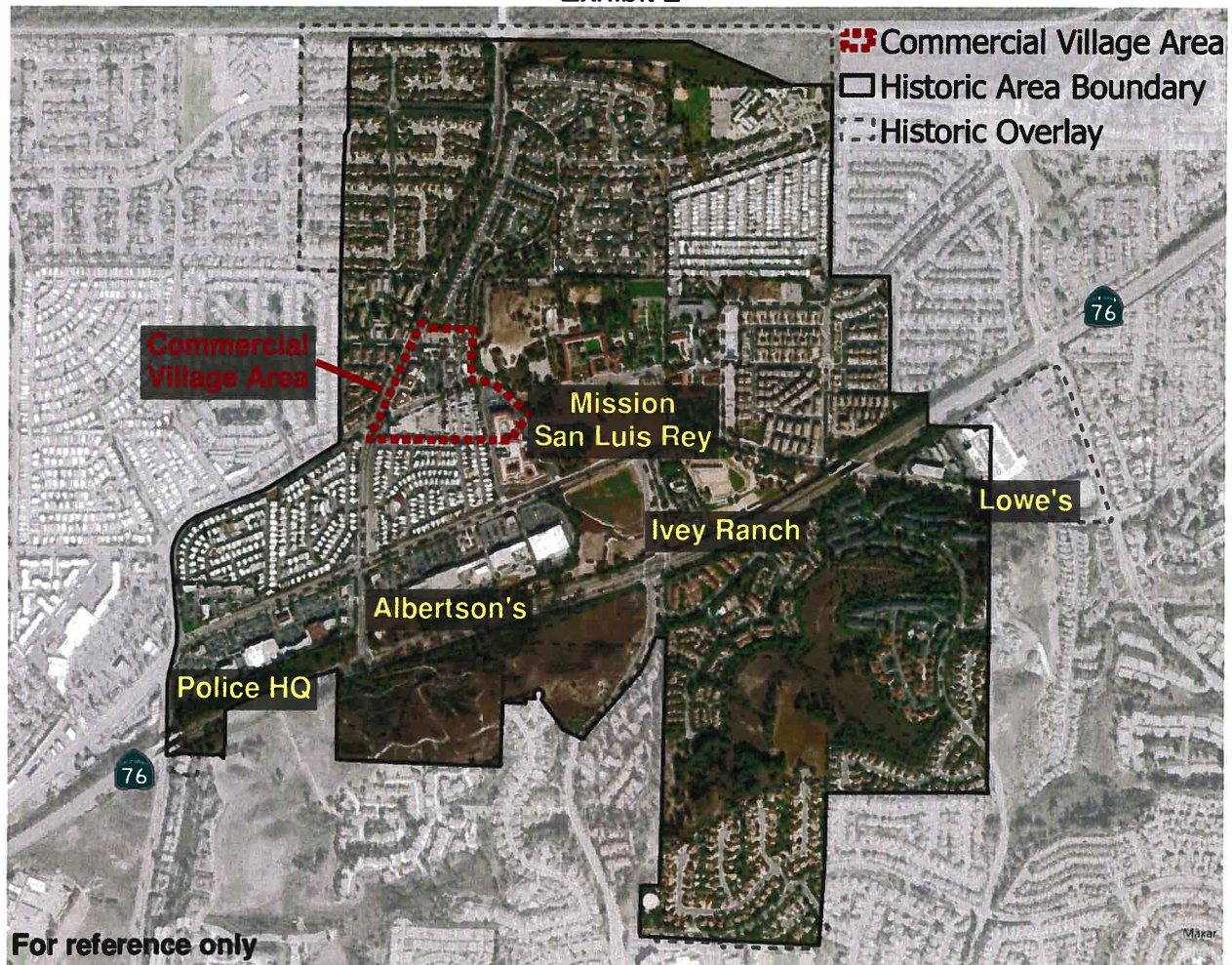
As proposed, cannabis storefront retail uses would not be allowed in the Downtown District, any part of the Coastal Zone, the Commercial Professional (CP) District, the Commercial Recreation (CR) District, the Visitor Commercial (CV) District, and the Industrial Park (IP) District.

The City Council expressed desire to not pursue allowing storefront cannabis uses in the Coastal Zone and Downtown District due to prolonged processing time of Local Coastal Program Amendments (LCPAs). Only three subdistricts of the downtown are completely outside of the Coastal Zone. All three are in close proximity to residential uses and therefore were not pursued.

The CP District is mostly designed for professional/business offices or medical offices. Allowing cannabis storefront retailers in those locations would not be consistent with the purposes of that district, which currently does not permit retail uses in general. The CR, CV, and IP districts were excluded from the proposed districts because there are no feasible sites in those zones.

Language was included in the proposed OZO amendments to preclude storefront cannabis uses in the Commercial Village area of the Mission San Luis Rey Historic District. According to the Land Use Element and Mission SLR Historic Area Development Program and Design Guidelines, the Commercial Village area was envisioned to be a lively, pedestrian-oriented locale consisting of small shops connected by narrow streets and paths to create an inviting “gateway” to and from the Mission. Although the Commercial Village area has yet to evolve as envisioned, allowing storefront retail cannabis uses could potentially disrupt the future transformation of the area. A map of the Commercial Village area is included below.

Exhibit 2



Buffering / Separation Requirements

In alignment with the City Council's formal direction on February 19, 2025, staff is proposing to review prospective locations for cannabis storefront retail establishments in a two-part process. First, each location would be reviewed against objective distance thresholds to the following uses:

- Residential uses
- K-12 schools (public and private)
- Preschools and child care facilities
- Youth centers (as defined by HSC § 11353.1)
- Public libraries
- Public parks and playgrounds
- Churches
- Liquor stores
- Bars
- Smoke shops

Distances in this first step would be measured by "most direct path of travel" instead of a straight line. Sites that are located within the applicable distance thresholds would lose

points on their local license application, disqualifying those applications with poor locations. The proposed locational criteria are included for reference in Attachment 7.

After the local licenses are awarded, those applicants would be allowed to submit for the requisite Conditional Use Permit (CUP). During the CUP process, staff will review the location to ensure the proposed land use is compatible with the surrounding area. Each CUP will also have to meet the required separations of OZO Article 36 which assert that cannabis uses must be located at least 1,000 feet from other regulated uses, residential districts, and sensitive uses. This distance is measured in a straight line through intervening structures or other obstacles. If a site cannot meet the prescribed separations of OZO Article 36, they will have to request a Waiver of Locational Requirements. In order to grant the waiver, the City Council must make the following findings as set forth by OZO Section 3605:

1. It will not be contrary to the public interest.
2. It will not be contrary to the spirit or intent of this Article.
3. It will not impair nearby property or the integrity of the underlying district.
4. It will not encourage the development of an adult entertainment area or otherwise promote community blight.
5. It will not negatively impact any governmental programs of redevelopment, revitalization, or neighborhood preservation.

Staff proposes allowing storefront cannabis retailers in most districts due to the rigorous two-part review process of storefront locations. Because the objective locational criteria will be published to the website, potential applicants can score their locations before ever submitting, eliminating poor locations from the outset. If an application were able to meet the objective locational criteria, but contain a poor location for an unforeseen reason, the City Council would still have the discretion to deny the Waiver of Locational Requirements down the road.

In addition, the City Council will also have the authority to impose specific conditions of approval on the CUP to ensure that surrounding properties would not be negatively impacted by the use. The State sets strict operational requirements for cannabis businesses, especially storefront retailers. For instance, all storefront retailers must have a security guard during operating hours and each sale requires the cashier to verify the ID of the customer to ensure they are over 21 years old, or 18 if they possess a valid physician's recommendation. OCC 7.126(15) already prohibits cannabis businesses from storing cash overnight. State law prohibits storefront retailers from operating past 10 p.m.

ENVIRONMENTAL DETERMINATION

The proposed ordinance, in and of itself would not occasion land development or any other material change to the environment. Projects subject to the amended zoning and municipal code provisions would be subject to separate California Environmental Quality Act (CEQA) review. Therefore, the proposed amendments are exempt from CEQA, in accordance with the provisions of the CEQA Guidelines Section 15061(b)(3), under the

common-sense exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment.

SUMMARY

The proposed OZO and OCC amendments are in alignment with direction received from the City Council on April 23, 2023, November 1, 2023; and February 19, 2025. The amendments would allow a maximum of four storefront retail cannabis licenses in various commercial and industrial districts through a dual-licensing approach. A CUP would be required for each proposed storefront retail cannabis establishment where the request would be reviewed to avoid negative impacts and ensure the proposed use would be compatible with the surrounding area.

Staff recommends that the Planning Commission recommend City Council approval of amendments to Articles 4, 4A, 12, 13, and 36 of the Oceanside Zoning Ordinance and Chapter 7 Article XIII of the Oceanside City Code, to set forth regulations for the establishment and operation of facilities by:

- (1) Adopting Planning Commission Resolution No. 2025-P08 recommending City Council approval of City Code and Zoning Amendment (ZA25-00001) with findings of approval attached herein (Attachment 1).
- (2) Confirm issuance of California Environmental Quality Act (CEQA) Guidelines Section 15061(b)(3), under the common-sense exemption

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DT/SM

Attachments:

1. Planning Commission Resolution No. 2025-P08
2. Legislative Draft – OZO Article 4
3. Legislative Draft – OZO Article 11
4. Legislative Draft – OZO Article 13
5. Legislative Draft – OZO Article 36
6. Legislative Draft – OCC Chapter 7 Article XIII
7. Proposed Locational Criteria
8. Notice of Exemption