



STAFF REPORT

MEETING

DATE: February 11, 2025

TO: City Council

FROM: Clare Hartman, Community Development Director

SUBJECT: **RECEIVE A PRESENTATION AND CONDUCT A STUDY SESSION ON COMMERCIAL CANNABIS RETAIL STOREFRONTS AND CONSIDER PROVIDING DIRECTION TO STAFF**



REQUEST

Receive a presentation, conduct a study session on Commercial Cannabis Retail Storefronts and consider providing direction to staff to further Goal #20 in the Novato City Council Strategic Plan for July 1, 2023, to June 30, 2025, which states “Consider allowing licenses for Commercial Cannabis Storefront Retail.”

DISCUSSION

Background

Proposition 64 legalized the use of cannabis for both medicinal and non-medicinal (aka recreational or adult) use in California. As of January 1, 2018, all non-medicinal cannabis businesses must have a state license to operate, however a state license may not be issued to businesses which violate the provisions of any local ordinance or regulation. Cities may enact local laws or regulations pertaining to cannabis cultivation, dispensing, manufacturing, distribution, transportation and testing within its jurisdiction.

The City Council adopted [Resolution 2019-069](#) on October 22, 2019 regarding the process for evaluating applications, issuing commercial cannabis business licenses and establishing certain operation parameters for commercial cannabis business activities. The Council formally adopted a commercial cannabis [Licensing Ordinance](#) and [Zoning Ordinance](#) on November 12, 2019. Zoning requirements for cannabis businesses were amended by the City Council on November 16, 2021, when they adopted [Zoning Amendments](#) to require minimum distancing from potentially sensitive residential properties and youth-oriented facilities. In addition to the links, the adopted Resolution and three Ordinances are included as Attachments 1-4 to this staff report.

Cannabis Business in Novato

Pursuant to the Process Guidelines set forth in Council Resolution No. 2019-069, the City issued a Request for Proposals (RFP) in 2020 and in [2021](#), for the following cannabis license types: non-storefront retail (delivery), testing laboratory, manufacturing, indoor cultivation, microbusiness and distribution. The 2021 RFP was structured around an annual effort, and as such included a deadline for proposals of January 24, 2022. Please note that the City has not issued a subsequent RFP relevant to this scope since.

In [2022](#), the City issued a third RFP, but this time it was only for Non-Storefront Retail (Delivery) cannabis businesses. Unlike the 2020 and 2021 RFPs, the RFP as published did not offer a specific deadline for new applications, but rather accepted them “anytime on a rolling basis but not later than March 30, 2023.” As such, both RFPs – for general cannabis uses and for non-

storefront delivery uses – are considered “closed” and no new applications are eligible for review, unless and until the City reopens a new RFP. In addition to the links, the RFPs are included as Attachments 5 and 6 to this staff report.

CB Labs, a cannabis testing laboratory, located at 1615 Hill Road, Suites #9 and #10, was in operation prior to the City’s 2020 or 2021 RFP processes, and as such were approved by the City Council as an exception to the City’s cap on cannabis laboratories. CB Labs stayed operational up until its closure in October 2023.

As of the date of this report, the City has three active cannabis business licensees as follows:

- Medela Power – Indoor Cultivation – 22 Commercial Blvd, Suites A & B
- Velvet Fog – Microbusiness w/ Non-Storefront Retail – 11 Digital Drive, Suite D
- Blissful State aka Evergreen – Non-Storefront Retail – 30 Pamaron Way, Suite 205

Cannabis Storefront Retail Policy Considerations

Goal #20 in the Novato City Council Strategic Plan for July 1, 2023 to June 30, 2025 states “Consider allowing licenses for Commercial Cannabis Storefront Retail”. The subject of the study session is to focus Council’s attention on whether (or not) to consider allowing Commercial Cannabis Retail Storefronts in the City of Novato. Unlike non-storefront retail, a storefront retailer has a physical location where cannabis goods are sold. However, storefront retailers can also deliver cannabis goods.

Staff has put together a presentation setting the context for the policy discussion as well as questions to consider in its direction to staff. Such questions include:

- Does Novato want to offer storefront retail? If Yes, then:
 - How to process?
 - Where to allow?*
 - How many to allow?
 - What site and/or operational standards to apply?
 - Allow for events, on-site consumption, and/or an on-site café?
 - How to add and collect a cannabis business tax/fee?
 - What additional information is needed to inform policy?

*Draft potential city-wide and downtown retail location maps *for the sake of discussion only* are included as Attachments 7 and 8 to this staff report.

The study session presentation is attached as Attachment 9 to this staff report.

PUBLIC OUTREACH

This item was noticed per standard City of Novato City Council agenda noticing procedures including posting the agenda 72 hours in advance on the community bulletin board in front of City Administrative Offices located at 922 Machin Avenue, posting on the City’s website at novato.org/councilagendas and sending an email notification to all e-notification subscribers.

In addition, staff sent out courtesy email notifications to community and industry representatives interested in the topic. Should the Council direct staff to pursue a new policy around retail storefronts, the subsequent work plan will include public engagement prior to returning to Council for further policy consideration and ordinance adoption.

FISCAL IMPACT

Any associated costs, primarily staff time, will be covered within the existing annual budget allocations for the Community Development Department and City Manager’s Office.

STRATEGIC PLAN ALIGNMENT

This item directly accomplishes **Strategic Plan Goal 5: Economic Vitality, Workplan #20** “Consider allowing licenses for Commercial Cannabis Storefront Retail.”

RECOMMENDATION

Receive a presentation, conduct a study session on Commercial Cannabis Retail Storefronts and provide direction to staff to further Goal #20 in the Novato City Council Strategic Plan for July 1, 2023, to June 30, 2025, which states “Consider allowing licenses for Commercial Cannabis Storefront Retail”.

ALTERNATIVES

1. Receive the report only. No further action.
2. Direct staff to collect additional information and return for a second study session.
3. Direct staff not to pursue cannabis retail storefront policy at this time.

ATTACHMENTS

1. [Cannabis Process Guidelines Resolution 2019-069](#)
2. [Cannabis Licensing Ordinance](#)
3. [Cannabis Zoning Ordinance](#)
4. [Cannabis Zoning Amendments](#)
5. [2021 Request for Proposals for Cannabis Businesses](#)
6. [2022 Request for Proposals for Non-Retail Storefronts](#)
7. [Draft Potential Cannabis Retail Map City-Wide](#)
8. [Draft Potential Cannabis Retail Map Downtown](#)
9. Presentation (PDF)