



STAFF REPORT – PLANNING COMMISSION MEETING

TO: Honorable Chair and Commissioners

FROM: Jennifer Dart, Director of Community Development

PREPARER: Emma Haskett, Contract Planner (Planwest Partners)

DATE: October 13, 2026

TITLE: **Adopt a Class 1, Section 15301 (Existing Facilities) Categorical Exemption and Secondarily Approve the Pacific Paradise Use Permit Amendment for an On-Site Cannabis Consumption Lounge at 1091 H Street; File No. 256-036-UP - CEQA Exempt**

RECOMMENDATION:

Staff recommends the Commission adopt: 1) the Class 1, Section 15301 (Existing Facilities) Categorical Exemption pursuant to the California Environmental Quality Act; and 2) the Planning Commission Action, including the Findings of Approval and Conditions of Approval (Attachment A), approving a Use Permit Amendment to authorize on-site cannabis consumption, including smoking, in a designated consumption lounge at 1091 H Street.

INTRODUCTION:

The applicant, Michael Bettencourt of Pacific Paradise Retailing Corp., requests an amendment of the Use Permit for the existing Pacific Paradise cannabis retail sales and service facility (dispensary) at 1087 H Street to authorize on-site cannabis consumption, including smoking, in a designated consumption lounge in the adjacent tenant space at 1091 H Street. The lounge would contain approximately 825 square feet of customer area and approximately 350 square feet of office, storage, and employee area. Interior tenant improvements would connect the two spaces with two doorways, add an office in 1091 H Street, remove three non-load-bearing walls in 1087 H Street, and install an air filtration and ventilation system. No expansion of the building is proposed.

Cannabis retail sales and service requires a Use Permit in the Commercial Central zone, and on-site consumption is allowed only when specifically authorized under the use permit (Land Use Code Section 9.26.030, Table 2-10, and Section 9.42.105(D)). Land Use Code Section 9.72.080.C.1 gives the Planning Commission the authority to approve or disapprove a Use Permit.

BACKGROUND:

The subject property is an approximately 9,438 square foot parcel at the corner of H Street and 11th Street (Assessor's Parcel Number 021-104-013), owned by Peter Canclini. The building contains the existing Pacific Paradise dispensary at 1087 H Street and the adjacent tenant space at 1091 H Street, which are currently separated by a wood-framed partition wall. The dispensary operates daily from 10:00 a.m. to 9:00 p.m. under an existing City use permit.

The parcel is zoned Commercial Central (CC), is designated Commercial Central in the General Plan 2045, and is within the Central Neighborhood Conservation Area combining zone. It is outside the Commercial - Central Plaza area combining zone and outside the Coastal Zone. The property report identifies the site within a mapped Alquist-Priolo fault zone, a moderate liquefaction area, a mapped noise contour, and a major transit stop radius. It is outside the FEMA flood zone and the Matthews Dam failure inundation area and contains no mapped wetlands, stream, or creek.

Under Municipal Code Section 5704(D), as amended by Ordinance 1586 (effective June 5, 2026), smoking, vaporizing, and ingesting cannabis is permitted within designated cannabis consumption lounges, notwithstanding the smoking prohibitions of Section 5703, subject to Municipal Code Title V, Chapter 10 and Land Use Code Section 9.42.105. Municipal Code Section 5702(B) defines a consumption lounge as a space dedicated to the smoking, vaporizing, and/or ingesting of cannabis or cannabis products on the premises of a retailer or microbusiness that has been granted authority by the City to engage in on-site cannabis consumption.

The application was submitted on May 12, 2026. The City's 30-Day Letter requested additional information on the air handling and ventilation system, an onsite consumption operations and security plan, and the proposed signage. The applicant responded with an Onsite Consumption Operations and Security Plan, a preliminary air handling and HVAC layout, equipment specification sheets, a signage plan, and an exterior elevation (Attachment D). The project was referred for comment on August 18, 2026.

Because the City Council has authorized on-site cannabis smoking in designated consumption lounges (Ordinance 1586), the question before the Commission is not whether the use is allowed but what level of regulation is appropriate. This is the first consumption lounge permit with on-site smoking to come before the Commission, and the conditions it adopts are likely to serve as the model for future consumption lounge permits. Staff presents the Conditions of Approval as a best first draft that may fall on the more protective end of the range, and invites the Commission to provide guidance on the categories of impacts being reviewed.

DISCUSSION:

Land Use and the Use Permit Amendment. Cannabis retail sales and service is allowed in the CC zone with a Use Permit, subject to Land Use Code Section 9.42.105 (Section 9.26.030, Table 2-10). Section 9.42.105(D)(1)(d) prohibits on-site smoking, vaping, ingestion, or consumption of cannabis unless specifically authorized under the use permit in compliance with all other applicable State and local law; this amendment would provide that authorization. Section 9.42.105(D)(1)(a) prohibits cannabis use permits in the Commercial - Central Plaza area combining zone, and the parcel is outside that zone. The amendment does not add a cannabis retail facility. Section 9.42.105(D)(1)(b) provides that the review authority should give special consideration to approving cannabis retail sales and service facilities located within 300 feet of an existing residential zoning district or within 500 feet of another existing cannabis retail sales and service facility, day care, youth center, or K-12 school; because the amendment modifies an existing facility without changing its location, this requirement does not apply. The City commercial cannabis activity permit (Municipal Code Title V, Chapter 10) and the State license for on-site consumption are separate approvals, and Condition C-8 requires both before consumption begins.

General Plan Consistency. The General Plan 2045 describes the Commercial Central designation as a high density, pedestrian-oriented activity area with shops and services, restaurants, and entertainment supporting a variety of day and night activities (Policy LU-3a), and Table LU-3 lists general retail sales and services and indoor recreation services as allowable uses. Policy AQ-4 is aimed primarily at industrial, manufacturing, processing, and food and beverage production operations, but Policy AQ-4a calls for regulating potential sources of noxious odors to avoid adverse

effects on adjacent sensitive receptors, including by limiting hours for odor emissions, periodic monitoring, and filtering; the conditions limit consumption hours, require maintenance records, and require an enclosed room kept under negative air pressure with air filtration. Policy H-2d (Commercial tobacco) directs the City to prioritize smoke-free environments to reduce airborne toxins and exposure to second- and third-hand smoke. Although that policy is framed around commercial tobacco, the conditions confine smoking to an enclosed, filtered room with access limited to verified adults, and Municipal Code Section 5704(D), adopted after the General Plan, expressly allows smoking in designated lounges. Finding 2 of Attachment A addresses the applicable General Plan elements.

Smoke and Odor Control. Containing smoke and odor is the principal issue for this project. Land Use Code Section 9.30.080(C) provides that, other than as permitted by the North Coast Unified Air Quality Management District, no visible dust, gasses, or smoke shall be emitted, and Section 9.30.080(J) provides that no obnoxious odor or fumes shall be emitted that are perceptible without instruments by a reasonable person at the property line of the site. The applicant proposes to seal the approximately 8,110 cubic foot smoking area with self-closing, gasketed doors, keep it under negative air pressure relative to the dispensary, and serve it with a Blue Ox OX2500D filtration unit and a Mitsubishi ducted heat pump. The manufacturer's specification sheet describes the OX2500D-CF as a 2,500 cubic foot per minute media filtration system with a pre-filter, a 95 percent bag filter, and a 2-inch carbon after-filter "for mild odor control." The applicant's response states that the system would both recirculate filtered air inside and exhaust filtered air to the exterior.

The conditions set a performance standard rather than a specific engineering design, because each operator's system is different and a single engineering specification would require applicants with workable systems to redesign them. It is up to the applicant to meet the requirements for an enclosed room under negative air pressure with air filtration that keeps smoke and odor from leaving the room, shown on the building permit plans and installed under Building Division permits (Condition B-7), with enforcement being complaint-driven. Staff consulted the City of Eureka, which takes a similar approach. The operator must maintain the equipment and keep maintenance records available to the City; after a substantiated odor complaint, smoking and vaping must stop until the odor is resolved to the Director's satisfaction, which may include additional filtration or a ventilation design by a licensed mechanical engineer; and repeated substantiated complaints may be grounds to modify the permit under Land Use Code Section 9.96.070 (Condition C-1). The Performance Standards apply on an ongoing basis (Condition C-2). If the Commission prefers more assurance before the lounge opens, it could instead require a ventilation design stamped by a licensed mechanical engineer before building permit issuance. The signage, employee protection, and product conditions (B-8, C-10, and C-11) are drawn from the City's draft consumption lounge standards, which have not been adopted; they are imposed here as project-specific conditions under Land Use Code Section 9.72.080(G).

Operations, Security, and Occupancy. The lounge would operate with the dispensary from 10:00 a.m. to 9:00 p.m. daily, staffed by at least three employees, including at least one Bureau of Security and Investigative Services licensed security guard. Patrons would complete dispensary check-in, have age and identity verified with government-issued identification, and enter through an interior door with electronic access control; the single exterior door would be alarmed and used only as an emergency exit. Only cannabis purchased from Pacific Paradise could be consumed, and outside cannabis, tobacco, and alcohol would be prohibited. The plan includes patron monitoring, overconsumption and medical emergency procedures, incident documentation, and employee training. Opaque film to a height of 80 inches on the exterior windows and door would keep consumption out of public view. Conditions C-4 through C-7 make these commitments enforceable, and Condition B-8 requires the entrance, house rules, and other required signage.

The applicant anticipates three to ten patrons at a time, 15 to 20 before and after events at nearby businesses, and classes or shows limited to 25 persons; the project description also anticipates community events or classes of up to 35 to 40 people a few times each week. On September 23, 2026, the Arcata Fire District Fire Marshal advised that, assuming a single exit, the maximum occupant load could be 49 persons; that a business occupancy calculation would yield an occupant load of six; that a maximum of 49 was acceptable if clearly posted inside the building; and that the occupant load should be confirmed with the Building Official. Condition C-7 limits occupancy to 49 persons, or any lower occupant load set by the Building Official, and requires the maximum occupant load to be posted inside the building.

Referral Comments. The application was referred on August 18, 2026, with comments due September 1, 2026, to the City's Building Official, Engineering, Environmental Services, and Police Department; the Arcata Fire Protection District; and the Wiyot Tribe, Bear River Band of the Rohnerville Rancheria, and Blue Lake Rancheria Tribal Historic Preservation Officers. The Building Official recommended approval with comments that building permits are required and that all required permits be completed before occupancy, which are carried into Condition B-1. Environmental Services recommended approval. The Fire Marshal's occupancy comments are discussed above. No other referral comments were received; under the terms of the referral, a non-response is treated as conformance.

ENVIRONMENTAL REVIEW (CEQA):

The project qualifies for a Class 1, Section 15301 (Existing Facilities) Categorical Exemption under the California Environmental Quality Act. The project consists of interior alterations to an existing commercial building, with no expansion of the building, to add on-site consumption to an existing cannabis retail use, and the conditions require the consumption room to be kept under negative air pressure with air filtration, with complaint-driven odor enforcement. There are no unusual circumstances or other conditions under CEQA Guidelines Section 15300.2 that would disqualify the project from the exemption.

CONDITIONS OF APPROVAL SUMMARY:

In addition to the standard construction and permit conditions, the draft conditions (Attachment A) require: an enclosed consumption room kept under negative air pressure with air filtration, installed under building permits (B-7); signage (B-8); equipment maintenance, a stop to smoking after a substantiated odor complaint, and possible permit modification after repeated complaints (C-1); consumption limited to products purchased on site between 10:00 a.m. and 9:00 p.m., with no outside cannabis, tobacco, or alcohol (C-4); age verification (C-5); no visibility from a public place (C-6); operation under the Operations and Security Plan, with occupancy limited to 49 persons and posted (C-7); the City commercial cannabis activity permit and State license (C-8); the release of liability and hold harmless required by Land Use Code Section 9.42.105(C) (C-9); employee protections (C-10); and product, quantity, and fire safety standards (C-11).

ATTACHMENTS:

- A. Draft Action, Findings, and Conditions of Approval
- B. Property Report
- C. Project Description and Plans
- D. Applicant's Response to 30-Day Letter (Operations and Security Plan, Ventilation, and Signage)
- E. Draft Cannabis Consumption Checklist