



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: PC 18-019, **Version:** 1

PLN170127 - MCCAHERON/LADYBUG FARMS, LLC

Public hearing to consider allowing commercial cannabis activities including approximately 715,000 square feet of cultivation/nursery and 10,000 square feet of non-volatile manufacturing operations within existing greenhouses, two reconstructed greenhouses, and warehouses in the Farmland District.

Project Location: 1400 San Juan Road, Royal Oaks, North County Area Plan

Proposed CEQA action: Categorically Exempt per Section 15301 and Section 15302 of the CEQA Guidelines
RECOMMENDATION:

It is recommended that the Planning Commission adopt a resolution to:

- a. Find that a change of use within existing greenhouse and warehouse facilities is not an expansion of use beyond what existed at the time of the lead agency's determination, which qualifies as a Class 1 Categorical Exemption per Section 15301 of the CEQA Guidelines, and none of the exceptions under Section 15300.2 apply; and
- b. Approve a Use Permit to allow
 - 1) Approximately 715,000 square feet of canopy area for commercial cannabis cultivation/nursery in existing greenhouses within reconstructed greenhouses;
 - 2) Approximately 10,000 square feet of processing/manufacturing operations, including drying, trimming, curing, and nonvolatile manufacturing within an existing building.

at 1400 San Juan Road, Royal Oaks.

The attached draft resolution includes findings and evidence for consideration (**Exhibit A**). Staff recommends approval subject to 11 conditions of approval, including 6 conditions with mandatory requirements per the Monterey County Code.

PROJECT INFORMATION:

Agent: Jennifer Rosenthal

Property Owner: G. Andrew and Laurie Ann McCahon Trust

APN: 267-031-008-000

Parcel Size: 27 acres

Zoning: F/40

Plan Area: North County Area Plan

Flagged and Staked: N/A

SUMMARY:

G. Andrew and Laurie Ann McCahon Trust has submitted an application to allow commercial cannabis cultivation and non-volatile manufacturing within existing greenhouses, warehouses, and office space at 1400 San Juan Road, Royal Oaks. Andy and Laurie McCahon have been operating McCahon Floral Nursery since 1999 in a legally existing greenhouse facility. There is currently no cannabis activity taking place on this

property. The McCahon's plan to transition the operation of their floral business into a large-scale cannabis cultivation and manufacturing operation to be operated by Ladybug Farms LLC. The transition and development of the cultivation and manufacturing operations into the existing greenhouse facility, warehouses, and offices would occur in phases. Initially, the first cultivation of cannabis would start in the greenhouses located at the south end of the property (i.e., Range 7, Range 8 and Range 9 - Cultivation, as noted on the Site Plan Sheet A1.1). All other cannabis activities, such as drying, trimming, curing, nonvolatile manufacturing, storage and office administration would occur in Building G.

This Use Permit would authorize approximately 715,000 square feet of canopy for cannabis cultivation. Mixed-light cultivation (Type 1B, 2B, and/or 3B permits) is the raising of the plant to maturity (flower) including harvesting, drying, and trimming using a combination of natural and artificial lighting. Drying, trimming, and packaging of cannabis flowers cultivated on site would occur within an existing warehouse that will be improved to meet current building and fire code standards for this use.

An Operations Plan (**Exhibit D**) submitted as part of the application describes how the cannabis uses will comply with state and local regulations for commercial cannabis cultivation. Staff has reviewed the application and determined that the proposal meets all the applicable criteria of the County Code and the applicant has demonstrated that they can and will comply with State licensing requirements.

DISCUSSION:

Andy and Laurie McCahon have been operating McCahon Floral Nursery, a floral business, since 1999 in the existing greenhouse facility. The property is 30 acres zoned Farmland (F/40) with a minimum lot size of 40 acres in the North County Area. The site is developed with 655,061 square feet of greenhouses and a 9,720 square feet of warehouse space. The greenhouses were developed in the 1960's and 1970's and are clearly visible on the earliest available aerial photographs. Greenhouses at the site are currently in use for the floral business and are in good condition. Water for operations at the site is provided via an existing well on-site.

Commercial cannabis cultivation and non-volatile manufacturing are permissible land uses within the Farmland zone, subject to a Use Permit in each case and subject to the regulations contained in Chapter 21.67 of the Monterey County Code. This area is characterized by numerous other large greenhouse operations left over from the cut flower industry creating a rural agricultural setting. The applicant is requesting to re-utilize the existing greenhouses and rebuild two previously existing greenhouses totaling 85,627 square feet (Greenhouses U and V) for cannabis cultivation. RMA-Planning staff has verified via aerial photographs that the greenhouses existed prior to January 1, 2016. The greenhouses are visible via Google Earth imagery in 1993. Rebuilding the greenhouses will require a building permit. The applicant also proposes to use existing warehouse space for processing/ manufacturing.

Consistency with Section 21.67.050 for Cannabis Cultivation

Below is a summary of the applicable criteria for cannabis cultivation in Chapter 21.67, and how the project meets each one:

- **Location**
 - The site is zoned Farmland (F/40). Cultivation and nurseries may be permitted in the F zone subject to a Use Permit.
 - The nearest school is Landmark Elementary School in Watsonville, which is more than 4 miles

away from the project site.

- There are no parks or drug recovery facilities in the vicinity.
- The existing greenhouses and warehouses are shown on site plans.

- **Improvements for security to prevent theft and trespass -**

- Perimeter security to prevent unauthorized intrusion using security fencing, 24-hour security guards, and 24-hour electronic surveillance (i.e., round-the-clock manned or alarmed security camera surveillance and electronic intrusion detection); security doors; motion sensors on doors, windows and rooms; vibration detectors on walls and windows; barred windows; external security lighting of the facilities and parking area; and an eight-foot chain link fence with either full privacy slates or non-see through green netting with a three-stranded barbed wire attachment protruding at a 45-degree angle are proposed for the site.
- The security plan has been reviewed by the Resource Management Agency.

- **Installation of water conservation measures -**

- The applicant provided an analysis of current and projected water use showing that water use at the facility is expected to decrease overall with the replacement of the existing floral crops with the proposed cannabis plants due to a reduced number of plants per square foot. The operation will have an automatic drip irrigation system and impulse water techniques not currently employed on the site.

- **On-site renewable energy (encouraged, but not required) -**

- The property owners have received a quote for installation of a solar PV system; however, they do not anticipate moving forward with installation until a future phase of development.
- The applicant will minimize project energy demands of the cannabis cultivation operations by changing the energy curtain materials in the greenhouses from single poly covering with a 50% insulation factor to a new synthetic double material that has an 85% insulation factor. This will reduce the amount of natural gas needed to heat the greenhouses by more than 30%.
- The applicant will replace the current lighting system with LED lighting to reduce electricity use by approximately 60%.

- **Operating Standards -**

- The project adheres to all required operating standards including unique identifiers, quality assurance, track and trace programs, pesticide and fertilizer storage, odor prevention, record keeping, and waste management policies in compliance with County requirements and State law. (Note: These items are also required to be addressed as part of the required Commercial

Cannabis Business Permit pursuant to Chapter 7.90 of the Monterey County Code.)

Consistency with Section 21.67.060 for Cannabis Manufacturing

Below is a summary of the applicable criteria for cannabis manufacturing in Chapter 21.67, and how the project meets each one:

- **Location**
 - The site is zoned Farmland (F/40). Non-volatile cannabis manufacturing facilities may be permitted in the Farmland (“F”) zoning districts when combined with a cannabis cultivation permit, subject to a Use Permit in each case.
 - There are no schools, public parks, or drug recovery facilities within 600 feet of the project site.
- **Non - volatile**
 - The RMA-Environmental Health Bureau has determined the project manufacturing operations will be non-volatile.
- **Cannabis product**
 - The operator, currently intended to be Ladybug Farms, LLC, which will be permitted and licensed for cultivation of cannabis, will be the sole source of cannabis for the proposed cannabis manufacturing operation.
 - The property owner, G. Andrew and Laurie Ann McCahon Trust, will ensure that the business operator, currently intended to be Ladybug Farms, LLC, will implement best practices to ensure that all manufactured products are properly stored, labeled, transported, and inspected prior to distribution at a legally permitted and licensed dispensary.
- **Security Measures**
 - Perimeter security to prevent unauthorized intrusion or loitering using security fencing, 24-hour security guards, and 24-hour electronic surveillance
 - Areas where cannabis will be kept or handled will have no external doors or windows and can be accessed only from within the facility. Car access also will be limited.
 - Security doors; motion sensors on doors, windows and rooms; vibration detectors on walls and windows; and barred windows will be installed.
 - Notices will be posted at the entrance of the facility siting Monterey County Marijuana Ordinance restrictions, including prohibitions of alcoholic beverage and marijuana (e.g., consumption, use, and sale); and prohibition of loitering on or within 100 feet of the premises.
 - External security lighting of the facilities and parking area and an eight-foot chain link fence

with either full privacy slates or non-see through green netting with a three-stranded barbed wire attachment protruding at a 45-degree angle are proposed for the site. The security plan has been reviewed by the Resource Management Agency.

- **Hazards Training and Food Safety Training**

- Employees operating potentially hazardous equipment will be trained on the proper use of the equipment and on the proper hazardous response protocols in the event of an equipment failure. Employees handling edible cannabis products or ingredients will be trained on proper food safety practices.

Since this property is located in North County, staff felt it was appropriate to further analyze some specific areas of concern that are known to exist in this part of the County. Staff gave additional consideration to water use, traffic/road impacts, and drainage. With regard to water use, this project is not located in Zone 2C, and therefore there is not a rebuttable presumption of long term sustainable supply. To ensure that this project retains a supply of water into the future, staff required additional detail be provided as part of their application that detailed past water use and projected water use with the new crop. Based on data supplied by the applicant, not only will there be fewer plants than with the current use, but the amount of water required by this new crop is significantly less than the ornamental crops currently being produced in the greenhouses. With regard to traffic and roads, the project has been conditioned to improve connections at San Juan Road and to remove the hedges and vegetation along San Juan Road to provide sight visibility (Condition No. 11). Lastly, in terms of drainage and erosion, RMA Environmental Services confirmed that no new or replacement impervious surfaces were proposed; therefore, drainage and erosion control plans were not required to mitigate water quality or flooding impacts. The site currently has drainage retention on site to capture runoff from these existing structures.

The subject Use Permit would authorize use of the property for commercial cannabis activities. Use Permits run with the land and not the business or property owner. Pursuant to Chapter 7.90 of the Monterey County Code, prior to beginning any cannabis operations, the business operator(s) would additionally need to obtain and maintain the appropriate Commercial Cannabis Permits (“Business Permit”) through the Resource Management Agency. Based on the square footage of each license type, this could be done through various combinations of mixed-light cultivation license types (i.e. 1B, 2B, and/or 3B licenses), corresponding to the total area of canopy cultivated on-site. The “Commercial Business Permits” are ministerial, and will not require a discretionary hearing. Prior to beginning any operations, a Business License must also be obtained from the Treasure/Tax Collector. State Licenses will also be required. A condition of approval (Condition No. 6) has been incorporated to require all applicable licenses for the cannabis operations are obtained prior to operation. Proposed conditions express total maximums in order to allow flexibility of operation types within allowable guidelines. Monterey County Title 20 and Title 21 Ordinances do not delineate between “Adult” (A) and “Medicinal” (M) license types with respect to the land use entitlements. The land use ordinances were created to regulate both types of cannabis operation. The delineation of “A” and “M” businesses is captured in the Business Permit process, following the land use entitlement.

A draft resolution includes findings and evidence for consideration (**Exhibit A**). Staff has reviewed the proposed application and determined, as proposed and conditioned, the findings required to grant a Use Permit for a commercial cannabis retailer can be made in this case. As outlined below, the project has been found consistent with the requirements of Section 21.67 of Title 21.

CEQA

The project entails a change in agricultural plant types within existing and previously existing structures on the site. The change in plant types would involve no expansion of the existing use. Section 15301, Existing Facilities, of the California Environmental Quality Act (CEQA) guidelines categorically exempts the operation, permitting, and licensing of existing structures and facilities involving negligible or no expansion of the use beyond the existing operations.

OTHER AGENCY INVOLVEMENT:

The following agencies have reviewed the project, have comments, and/or have recommended conditions:

- Agricultural Commissioner's Office
- Environmental Health Bureau
- RMA-Public Works
- RMA-Environmental Services
- RMA-Planning
- Sheriff's Office
- Water Resources Agency
- Monterey Regional Fire Protection District

The proposed project was reviewed by the North County Land Use Advisory Committee (LUAC) on February 7, 2018. The LUAC recommended approval of the project as proposed, by a vote of 5 ayes, 0 noes, and 0 abstentions (**Exhibit C**). Leslie Noble was absent.

Prepared by: Cheryl Ku, Senior Planner, ext. 6049
Reviewed by: Brandon Swanson, RMA Services Manager
Approved by: Carl P. Holm, AICP, RMA Director

The following attachments are on file with the RMA:

- Exhibit A - Draft Resolution including:
 - Conditions of approval
- Exhibit B - Vicinity Map
- Exhibit C - North County LUAC Minutes
- Exhibit D - Lady Bug, LLC Application
 - Site Plans, Floor Plans, and Operations Plan

cc: Front Counter Copy; Planning Commission; Brandon Swanson, RMA Services Manager; Jennifer Rosenthal, Agent; Andrew G. and Laurie A. McCahon, Applicant, Owner; The Open Monterey Project (Molly Erickson); LandWatch (Executive Director); John H. Farrow; Project File PLN170127