



Legislation Text

File #: 20-347, **Version:** 1

PLN19-0052; Consideration of a Conditional Use Permit (CUP) to allow for cannabis product manufacturing at 14505 & 14509 Catalina St. Pursuant to the Zoning Code, Industry Cannabis Product Manufacturing is conditionally permitted per Zoning Code Section 2.12.208.B.14. Zoning District: IP (Industrial Park District); Alameda County Assessor's Parcel Numbers 80G-933-34 (Unit H) & 80G-933-36 (Unit J); Danielle Chacko - ASHA Pharmaceuticals (applicant) and Randy Sosa (property owner).

SUMMARY AND RECOMMENDATION

The proposed project (PLN19-0052) was previously heard before the Board of Zoning Adjustments on Thursday, May 7, 2020. At the hearing, the applicant requested and was granted a continuance in order to revise the project to remove volatile cannabis extractions from the project proposal.

The applicant is requesting a Conditional Use Permit to operate a cannabis product manufacturing facility at 14505 & 14509 Catalina St., Assessor's Parcel Numbers 80G-933-34 (Unit H) & 80G-933-36 (Unit J). The project site consists of 4,720 square feet of tenant space within a larger condominium building that is approximately 21,700 square feet. The proposed improvements involve converting the existing tenant space into a cannabis manufacturing facility. The improvements are proposed to occur in 2 phases:

- 1. Phase 1** - nonvolatile manufacturing (further described under the Project Details section of this report) shall include: kief, rosin, moonrocks, cartridges manufacturing, rosin-post processing, grinding, accessory storage and office spaces, restrooms, and showers. Reconstruction of the fire wall (demolished by the previous tenant) to divide units H and J to two separate units. Site and building ADA/ accessibility upgrades if necessary, to be done in Phase 1. (Type 6 license - CA Dept. of Public Health)
- 2. Phase 2** - nonvolatile manufacturing shall include edible manufacturing.

The proposed project would require a CUP in order to allow the Cannabis Product Manufacturing in the Industrial Park zoning district.

Following receipt of the revised project proposal, this item was rescheduled and re-noticed for consideration by the Board of Zoning Adjustments on August 6, 2020. Since the May 7th meeting, the proposed project description and site plans have been revised to remove volatile cannabis extractions as a part of the proposed cannabis product manufacturing operations.

The applicant has prepared a revised statement that is referenced in the Applicant's Supporting Statement section below and revised attachments removing the proposed request to allow volatile manufacturing operations. In addition, Alameda County Fire Department provided additional Conditions of Approval related to gas detection and emergency shut off systems which have been

included in Exhibit B Conditions of Approval.

Staff believes that, with the recommended Conditions of Approval, the proposed project would be compatible with adjacent business park uses in the immediate neighborhood. Staff recommends that the Board of Zoning Adjustments (BZA):

1. Adopt the recommended Findings of Fact; and
2. Approve Conditional Use Permit PLN19-0052 subject to the attached recommended Conditions of Approval.

APPLICANT'S SUPPORTING STATEMENT

The applicant has provided a revised project description and operation plan which includes removal of the proposed volatile manufacturing operations. See Attachment A - Revised Project Description & Operations Plan 06.08.20

RELATIONSHIP TO SURROUNDING AREA

The subject property is zoned IP Industrial Park District, as are the immediate properties to the south and east. Adjacent properties to Catalina Street primarily consist of multi-tenant industrial buildings that support uses including warehouses, light manufacturing, and industrial operations.

The subject site at 14505 & 14509 Catalina Street consists of a ±4,720 square foot tenant space that is part of a larger light industrial/commercial condominium building approximately 21,700 square feet in size. Other tenants within the building are primarily office uses, including the California Teacher's Association. The Project Site is located on a 78,875 square foot lot that is nearly level. Access to the Project Site is provided by Catalina Street, which connects to Farallon Drive. The Project Site is in City Council District 6.

Approximately 675 feet to the south is the Estudillo Canal, a flood control canal. Approximately 380 feet to the west is medium density residential located along Doolittle Drive. The project site is buffered from the canal and residential areas by existing industrial buildings. The surrounding location is predominantly industrial, and the subject property is distant and isolated from sensitive land uses such as residential, educational, childcare, recreational, and community centers.

The nearest fire station is Alameda County Fire Station No. 11, located approximately 700 feet to the southeast. Staff estimates that the closest school to the 1405 & 14509 Catalina Street property is James Madison Elementary School, measured through Google Earth to be over 2,800 ft away (approximately .5 miles). Proposition 64 sets a cannabis business buffer of 600 feet from schools, day care centers and youth centers.

BACKGROUND

The Project Site consists of a tenant space within an existing single-story multi-tenant light industrial/commercial office condominium previously occupied by a food manufacturing research and development company. There are no shared uses or common areas within the building. The Project Site has landscaping consisting of grass, trees, and shrubs. There are 93 parking spaces including

seven accessible standard parking spaces and one accessible van parking space. There is also one bicycle parking rack. The facility does not have a loading dock or interior loading bay.

The project site has several existing heating, ventilation and air conditioning (HVAC) systems located on the roof of the building. Additionally, there are existing exhaust fans and ventilation ports located on the roof. There is an existing parapet wall on the roof that screens mechanical equipment from view of surrounding streets and properties. The exterior of the building also has existing lighting. The interior of the building has existing fire sprinklers installed in compliance with California Fire Code Regulations.

DETAILS OF THE PROPOSAL

The Project is proposed to be developed in phases, allowing the applicant time to structure their operations in a manner that promotes operational efficiency and financial stability in an evolving cannabis industry.

Phase 1 implementation includes the manufacturing of non-volatile cannabis products (Type 6 license - CA Dept. of Public Health). Manufacturing will include the following cannabis products, as described by the applicant:

1. Pre-rolled joints and infused pre-roll joints - Pre-rolled joints are created by grinding the cannabis flower and/or trim and filling the material into already made rolling papers. In addition, the pre-rolled joints can be infused with additional cannabis extracts, such as cannabis oil.
2. Moon Rocks - Moon rocks are created by taking cannabis flowers and infusing them with cannabis oil or other extracts such as rosin or kief, as discussed below.
3. Filling vape cartridges with cannabis oil - This process involves filling cartridges with distillate or other cannabis oil. Distillate or other cannabis oils will be procured from a licensed distributor. Additionally, the oil can be infused with terpenes to enhance the oil and create different flavor profiles.
4. Dry sift, also known as "kief" - Kief is created through mechanical means in which the raw cannabis material (i.e. flower or trim) is mechanically tumbled in a drum with a micron screen. The trichomes, or resinous heads on the cannabis flower and trim, pass through the micron screen. The process of making kief does not use solvents or chemicals. Kief can be further processed into rosin, as discussed below.
5. Manufacturing of rosin - Rosin is a process that uses high pressure and low temperatures to extract a resinous sap from either cannabis flower, dry sift, or ice-water hash. If used, ice-water hash will be procured from a licensed distributor. The process of making rosin does not use solvents or chemicals.

The Phase 1 design layout includes the following:

- 1,082 square feet for non-volatile manufacturing operations;
- 442 square feet for raw cannabis storage;

- 108 square feet for post process product storage;
- 628 square feet of ancillary storage;
- 226 square feet of shipping and receiving area;
- 108 square feet to serve as a vault and security surveillance storage room;
- 1,600 square feet for general office space, including a conference room, employee breakroom, and lobby entrance; and
- 3 restrooms and one shower stall occupying 279 square feet.

As part of Phase 1 implementation, ASHA proposes the following tenant improvements:

- ✓ Construction of a fire rated wall to separate the two parcels - Units H and J.
- ✓ Installation of security cameras.
- ✓ Paint existing roof top mounted HVAC condenser units to match the trim of the building.
- ✓ Relocate one ADA parking space.
- ✓ Installation of odor control equipment, including exhaust ducting. ASHA will utilize existing ventilation ports as necessary.
- ✓ Installation of furniture and equipment used in the manufacturing process, such as chest freezers and equipment to produce kief, dry sift and pre-roll joints. The furniture and equipment will be portable and will not be anchored to the ground or any portion of the building.

Phase 2 implementation includes the manufacturing of other cannabis products. In addition to Phase 1 manufacturing, Phase 2 manufacturing activities will include edible manufacturing including the extraction of cannabinoids using oil and butter. The oil and butter will then be used to make edible products, such as gummies and cookies.

The Phase 2 design layout includes the following:

- 1,082 square feet for non-volatile manufacturing operations, including post processing;
- 442square feet for raw cannabis storage;
- 961 square feet for volatile cannabis manufacturing, including post processing;
- 243 square feet for edible manufacturing;
- 261 square feet of post process storage;
- 126 square feet for a walk-in freezer;
- 628 square feet of ancillary storage;
- 226 square feet of shipping and receiving area;
- 108 square feet to serve as a vault and security surveillance storage room;
- 639 square feet for general office space, including a conference room, employee breakroom, and lobby entrance; and
- 3 restrooms and one shower stall occupying 279 square feet.

As part of Phase 2 implementation, ASHA proposes the following interior tenant improvements:

- ✓ Installation of plumbing and sink in the employee break room, which will be relocated.
- ✓ Installation of a walk-in freezer. The location of the walk-in freezer will occupy a space that

was used by the previous tenant for a walk-in freezer. This space has existing electrical to supply power to the walk-in freezer.

- ✓ Installation of a gas range stove and portable oven. The location of the gas range stove and portable oven is in an area used by the previous tenant for cooking and baking. ASHA will use existing gas and electrical connections.
- ✓ No new utilities are proposed as part of the project, and no work is proposed within the public right of way; therefore, an encroachment permit is not required.

The Property Owner Association (Catalina Business Park Owner's Association) previously provided a letter stating the Association approved ASHA's proposed business plan and tenant improvements. (See Attachment C - Approval Letter from Owner's Association). Additionally, the applicant independently reached out to the two neighboring businesses regarding their proposal.

STAFF ANALYSIS

A Cannabis Product Manufacturing use is conditionally permitted within the IP Industrial Park Zoning District. This is to ensure that cannabis product manufacturing uses are evaluated on a case-by-case basis. The Board of Zoning Adjustments has the ability to place Conditions of Approval in order to deem the use adequate and appropriate with the surrounding area. The Conditional Use Permit authorizes the cannabis product manufacturing facility to manufacture, process, and package products derived from or infused with cannabis for wholesale or retail to cannabis dispensaries or other cannabis product distributors and manufacturers as allowed by State law. The Conditional Use Permit and the Zoning Code do not allow or permit the commercial cultivation of cannabis plants or the direct sales, distribution, delivery, or dispensing of manufactured cannabis products to the public. If a Conditional Use Permit is approved by the Board of Zoning Adjustments, the applicant will then be required to obtain a building permit, business license and cannabis manufacturing licensure from the State of California. Any major changes or public nuisances related to the use or operation of the cannabis product manufacturing facility is required to return to the Board of Zoning Adjustments for consideration.

Hours of Operation: ASHA's proposed hours of operation will be from 9 a.m. to 6 p.m., Monday through Sunday, for all activities occurring onsite. Employees will work in single shifts.

Staffing: ASHA will have up to 10 employees during Phase 1 implementation. Employees will work in a single shift. Following Phase 2 implementation, ASHA estimates having up to 16 employees.

Parking and Landscaping: The Project Site has adequate parking and accessible parking to accommodate the proposed manufacturing use and other existing uses on the property. 62 parking spaces would be required if the entire 21,700 square foot building were used as office space. However, there are 92 parking spaces for the property. Additionally, a maximum of four accessible parking spaces would be required for the entire property. The property has seven accessible parking spaces and one accessible van parking space.

The entire property has approximately 9,790 square feet of landscaping. Based on the lot size of 78,875 square feet, only 7,887 square feet of landscaping is required. The lot has approximately 12.4 percent landscaping; therefore, additional landscaping is not required.

Electricity and Water Use: Electricity will be used primarily for cannabis storage (i.e. freezers),

lighting, manufacturing equipment, and HVAC systems. ASHA estimates annual electricity use to be approximately 56,000-kilowatt hours per year upon implementation of Phase 2. This estimate is based on the California Energy Commission's high-end use for industrial facilities in the Year 2020 (California Energy Commission, 2012). To minimize electricity use, ASHA will implement the following:

1. Use energy efficient lighting fixtures for normal business operations;
2. Use energy efficient mechanical equipment, such as air conditioning units and freezers;
and
3. Turn off equipment when not in use.

Water will be used for typical business operations, such as normal restroom uses and washing of equipment. Estimated daily water demand upon implementation of Phase 2 is approximately 170 gallons per day, or 62,050 gallons (0.19-acre feet) per year. This estimate is based on the number of employees, average restroom use, and estimated water for washing equipment. This estimate is also supported by the Bonneville Environmental Foundations water demand calculator for manufacturing/industrial operations and office use (Bonneville, 2019). To minimize water use, ASHA will ensure that low flow toilets and sink aerators are installed in restroom facilities per California Building Code requirements.

Signage: ASHA does not propose any signs or identification other than security signs stating the Project Site is being monitored by an alarm system and video surveillance.

Odor Control: ASHA will implement odor control systems throughout the facility. Odor control will include engineering and administrative controls to ensure odors are not detected outside the building or in adjacent office areas. Ongoing odor management is required and further discussed in Section 4.0 of ASHA's Operations Plans submitted with this CUP application.

Security: ASHA will implement security measures consistent with CDPH requirements for manufacturing facilities. Security measures include physical measures, alarm systems, video surveillance, and operational measures to ensure the safety of employees and the public. Security measures are discussed further in Section 5.0 of ASHA's Operations Plan submitted with this CUP application.

Waste: ASHA will manage cannabis waste, solid and recycling waste, and hazardous waste in compliance with local, state, and federal regulations. All cannabis waste will be stored onsite in locked containers and will be disposed of at a licensed disposal facility. Solid waste will be picked up on a weekly basis by the licensed waste hauler contracted to pick up waste in the City of San Leandro. Hazardous waste associated with volatile manufacturing will be disposed of in compliance with hazardous waste regulations. Waste management is discussed further in Section 6.0 of ASHA's Operations Plan submitted with this CUP application.

Inventory Management: ASHA will track and trace incoming cannabis and manufactured cannabis products in compliance with California Cannabis Track and Trace Metric system requirements. All manufactured cannabis products will follow CDPH protocol for batch production management and quality assurance.

Traffic Analysis: A traffic analysis was performed by Hexagon Transportation Consultants (letter

dated May 31, 2019). The analysis concluded that the proposed project would not cause an increase in traffic and that further analysis was not required. Hexagon's traffic analysis has been submitted with this CUP application. The modification to the project scope to remove the proposed request to operate volatile manufacturing would not further impact the traffic analysis, therefore, would not require additional review of traffic impacts resulting from the project.

Noise Study: A noise study was performed by Charles M. Salter Associates (revised letter that removed references to volatile manufacturing dated July 6, 2020). The noise study concluded that based on the proposed equipment, noise levels would be consistent with the City of San Leandro's noise standards, and that interior noise would not exceed OSHA thresholds requiring worker hearing protection. The noise analysis has been submitted with this CUP application. The modification to the project scope to remove the proposed request to operate volatile manufacturing would not further impact the noise study, therefore, would not require additional review of noise impacts resulting from the project.

In addition, the revised project was rerouted for review by the City's Engineering and Transportation Department, Building and Safety Division, Environmental Services Department, and Alameda County Fire Department. The reviewing departments / divisions had no additional comments with the exception of Alameda County Fire Department that provided additional Conditions related to gas detection and emergency shut off systems. The additional conditions have been included in Exhibit B Conditions of Approval.

GENERAL PLAN CONFORMANCE

The General Plan designates this site within the Light Industrial area in the City's General Plan Land Use Diagram. Chapter 3 of the General Plan states that "Light Industrial areas may contain wholesale activities, distribution facilities, research and development or e-commerce uses, business services, technology, and manufacturing operations which produce minimal off-site impacts. Campus-style industrial parks and professional offices also are permitted. A limited range of commercial uses also is permitted in these areas." The use of the existing industrial building space to accommodate the cannabis product manufacturing is conditionally compatible at this site and the use will not be detrimental to the public health, safety or welfare of persons residing or working in or adjacent to the area and will not be detrimental to properties and improvements in the surrounding industrial area.

The following General Plan goals and policies are applicable to the proposed project (note: LU-Land Use; ED-Economic Development):

Goal LU-7 Innovation Districts. Sustain dynamic innovation districts which place San Leandro on the leading edge of the Bay Area's manufacturing and technology economy.

Policy LU-7.1 Leveraging Locational Assets. Build on the locational strengths and transportation features of San Leandro's industrial area to support the area's continued development as a major advanced manufacturing, technology, and office employment center.

Policy LU-7.2 Adaptive Reuse. Encourage private reinvestment in vacant or underutilized industrial and commercial real estate to adapt such property to changing economic needs, including the creation of flex/office space and space for technology-driven businesses.

Policy LU-7.4: Tax Base Enhancement. Encourage business development that improves the City's ability to provide the public with high-quality services and which minimizes increases in the tax burden for existing businesses and residents.

Policy ED-1.3. Industrial Land Use Efficiency. Encourage more efficient use of the City's industrial land supply, creating higher employment densities and high-quality jobs, while discouraging the use of large sites and buildings for storage and other low intensity uses. Ensure that zoning and other development regulations support higher utilization of sites zoned for commercial and industrial activities.

PUBLIC OUTREACH

This item received noticing for the August 6, 2020 Planning Commission and Board of Zoning Adjustments hearing, including a legal advertisement in the East Bay Times Daily Review newspaper, the posting of notices at City Hall and on the property, and mailing notification to business and property owners within 500 feet of the subject property. No public comments were received prior to the publishing of this report.

ENVIRONMENTAL REVIEW

This project (PLN19-0052) was evaluated in accord with the California Environmental Quality Act (CEQA). Staff has determined that this item (PLN19-0052) is categorically exempt from the California Environmental Quality Act (CEQA) per CEQA Guidelines, Article 19, Section 15301 as an Existing Facility that involves minor alterations and negligible expansion of use with interior improvements.

RECOMMENDATION

The uses as proposed conform both to the City Zoning Code and to the General Plan. Any potential issues associated with the applications will be addressed by the implementation of the recommended Conditions of Approval. Staff therefore recommends that the Board of Zoning Adjustments motion to adopt Resolution 2020-005, approving a Conditional Use Permit for a Cannabis Product Manufacturing Facility at 14505 & 14509 Catalina St, PLN19-0057, based on the Findings of Fact and subject to the Conditions of Approval.

ATTACHMENTS

Attachment A: Revised Project Description & Operations Plan 06.08.20

Attachment B: Revised Site & Floor Plans 06.08.20

Attachment C: Approval Letter from Owner's Association 05.07.20

Attachment D: Noise Study 07.08.20

Attachment E: Traffic Generation Report 05.07.20

Resolution 2020-005 (Board of Zoning Adjustments Approval)

Exhibit A - Recommended Findings of Fact

Exhibit B - Recommended Conditions of Approval

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