



CC Regular Meeting AGENDA ITEM REPORT

Meeting: July 15, 2025

Title: Proposal for a 4,600 square-foot Cannabis Microbusiness Retail Establishment

Presented by: Eduardo Lomeli, Assistant Planner

Recommendation: City Council consideration of the following:

1. City Council Adoption of Resolution CC 2025-86, conditionally approving: Conditional Use Permit (CUP) 25-001 and Site Plan Review (SPR) 25-026, and making a determination of exemption from CEQA, to approve a cannabis microbusiness retail establishment (“STIIIZY”), in conjunction with a manufacturing and distribution use, on a 4,600 square-foot commercial tenant space and associated interior tenant improvements, within the PCD (Planned Community Development) / M-1 (Light Manufacturing) zone, located at 754 E Arrow Hwy, Covina, Ca, 91722 (APN: 8405-003-032), and making a finding of exemption under CEQA; and
2. Waive full reading, read by title only, and introduce Ordinance 25-06 entitled, “An Ordinance of the City of Covina approving a Development Agreement between STIIIZY Covina Inc, and the City of Covina, related to the approval of a 4,600 square foot cannabis microbusiness retail establishment within the PCD (Planned Community Development) / M-1 (Light Manufacturing) Zone, located at 754 East Arrow Highway (APN: 8405-003-032); and making a finding of exemption under CEQA.”

EXECUTIVE SUMMARY:

On June 24, 2025 the Planning Commission of the City of Covina conducted a duly noticed public hearing to consider a proposal for a four thousand-six hundred (4,600) square-foot tenant improvement to allow a cannabis microbusiness retail establishment to operate in the M-1 Light Manufacturing Zone at 754 E Arrow Highway, Covina, California 91722.

The Planning Commission concluded said hearing on June 24, 2025 and adopted Planning Commission 2025-011 and 012 PC by a 3-0-2 vote, recommending the City Council adopt the following items; Approving Conditional Use Permit (CUP) 25-001, Site Plan Review (SPR) 25-026, Development Agreement 25-003 and making a determination of exemption from the California Environmental Quality Act (CEQA) to allow the operations of a 4,600 square-foot cannabis microbusiness retail establishment located at 754 E Arrow Highway (APN: 8405-003-032).

Prior to commencement of any commercial cannabis activities, the applicant must enter into a development agreement with the city. This agreement is a prerequisite for obtaining a conditional use permit and will outline the terms and conditions under which the cannabis business will operate, in addition to the requirements specified in this chapter. The conditions of the agreement shall include, but are not limited to:

- a) Public outreach and education.
- b) Payment of community benefit fees and any other charges agreed upon by both parties.
- c) Approval of architectural plans, which should include the site plan, floor plan, and elevation.
- d) Provisions for terminating the agreement or invalidating or revoking the conditional use permit.

- e) Indemnification of the city and all its officials and employees from actions by third parties. This includes, but is not limited to, enforcement issues arising from conflicts between state and federal law or challenges to the issuance of a permit for the cannabis business.
- f) Any other terms and conditions that will protect and promote the public health, safety, and welfare of all residents in the city.

A copy of the development agreement is attached. (Attachment B) Government Code section 65867 requires both the planning commission and by the city council to hold a public hearing to consider adoption of a development agreement. The development agreement contains all required terms and provisions consistent with state law as further detailed below.

BACKGROUND:

On February 2, 2025, the applicant submitted a request for a Conditional Use Permit and Site Plan Review to establish a cannabis microbusiness retail store named “STIIIZY.” The proposed facility will occupy an area of 4,600 square feet and will include sections designated for manufacturing and distribution. A comprehensive review and analysis of the project were presented to the Planning Commission on June 24, 2025, and can be referenced in Attachment A.

The store is scheduled to operate daily from 9:00 am to 9:00 pm, with deliveries arranged during these hours. The business anticipates employing approximately 50 to 60 individuals. During morning hours, around 8 employees will work in the retail section, increasing to 12 during peak hours. The distribution team will consist of 2 on-site employees and 1 delivery employee, totaling 4 personnel. The manufacturing section is expected to have 2 to 3 employees working concurrently.

Security measures for STIIIZY will include two-armed security guards and a video surveillance system. All entrances to the facility will be secured and locked, with non-public areas accessible only via electronic access panels. Devices known as "mosquitos" will be installed to deter vandalism, and a third-party monitoring company will oversee the facility after hours. The building will also feature gates and an alarm system, while nighttime security service patrols will occur.

The interior design will feature a modern aesthetic with an open sales floor. The 1,500-square-foot retail area will include shelves for vendor products and high-definition televisions for product displays. The retail space will accommodate a maximum of 25 customers at any given time, and security personnel will manage the customer check-in process. City staff expressed concerns regarding the check-in procedure and recommended to the Planning Commission that STIIIZY also provide a reception/lobby check-in area, as indicated in their initial proposal to the Cannabis Committee. Condition of Approval B.37 was added to require a reception/lobby check-in area, and supported by the Planning Commission as part of their recommendation to the City Council.

The proposed Commercial Cannabis Business is required to obtain three land use entitlements from the City: (1) a Conditional Use Permit (CUP 25-001), (2) Site Plan Review (SPR 25-026), and (3) a Development Agreement (DA 25-003). In conjunction with the consideration of these three land use entitlements, a determination is also required to be made pursuant to the California Environmental Quality Act. Separately from the land use entitlement process, a Cannabis Business Permit is required for the proposed business as required by the Covina Municipal Code. The facts and findings supporting the approval of all three land use entitlements (CUP 25-001, SPR 25-026 and DA 25-003) are contained in the June 24, 2025 Staff Report for the Planning Commission’s consideration of these applications, which Staff Report is attached as Attachment A to this Report. The facts and findings contained in that Report, together with the additional information in this Report, provide and contain the basis for the findings and approval of these land use applications by the City Council.

In addition, thereto, the Development Agreement contains the terms and conditions required by the City, agreed upon by the applicant and is compliant with state law. Specifically, the Agreement provides for a term of 15 years, subject to extension by mutual agreement of the City and STIIIZY (Section 3.5). It provides for the permitted uses of the property, intensity of use, the size of the operation and does not require dedication of land for public purposes (Section 4) The agreement also contains terms for operation by reference to the “Development Approvals” that STIIIZY must comply with in connection with the Project (Section 3.1.10 and Section 4). The Agreement also provides terms for consideration of future approvals. (Section 4.11). Various specific requirements are imposed on the operation of the commercial cannabis business that is permitted to operate pursuant to the Development Approvals and the Agreement, including the requirement for a Community Benefit Fee, provisions for job and wage creation and defense and indemnification.

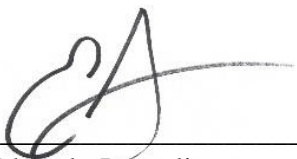
FISCAL IMPACT:

The adoption of a Development Agreement will enable the City to collect a community benefit fee of five percent (5%) of gross receipts plus an additional one percent (1%) of gross receipts that the applicants committed to provide in their application. This measure is intended to facilitate improvements and upgrades within the City and create employment opportunities for Covina residents. Additionally, this adoption will enable the cannabis business to collaborate with the City in establishing and implementing public outreach and education programs.

CEQA (CALIFORNIA ENVIRONMENTAL QUALITY ACT):

The proposed project is exempt from the requirements of California Environmental Quality Act (CEQA) Guidelines under the Class 32 exemption under state CEQA Guidelines Section 15332, which is consistent with the applicable general plan designation and all applicable general plan policies as well as with applicant zoning designation and regulations. The proposed developments are within city limits on a project site of no more than five acres of substantially surrounded by urban uses. Since the location is within an existing commercial center, the project site has no value as habitat for endangered, rare or threatened species. Approval of this project would not result in any significant effects relating to traffic, noise quality, or water quality. The site can be adequately served by all required utilities and public services.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Eduardo Lomeli', written over a horizontal line.

Eduardo Lomeli
Assistant Planner