

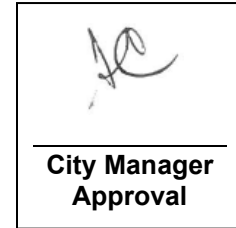
**STAFF REPORT**

## MEETING

DATE: April 14, 2026

TO: City Council

FROM: Clare Hartman, Community Development Director

SUBJECT: **RECEIVE A PRESENTATION AND CONDUCT A STUDY SESSION ON  
COMMERCIAL CANNABIS RETAIL STOREFRONTS****REQUEST**

Receive a presentation and conduct a study session on Commercial Cannabis Retail Storefronts in alignment with 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**

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 Novato City Council responded by taking action to permit all cannabis business activities, *except for* cannabis retail storefronts, by adopting [Resolution 2019-069](#) on October 22, 2019 which outlines the process for evaluating applications, issuing commercial cannabis business licenses and establishing certain operation parameters for commercial cannabis business activities. The Council also 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 certain cannabis business activities to meet minimum distancing from residential properties and youth-oriented facilities.

**Cannabis Storefront Retail Policy Considerations**

The Novato City Council Strategic Plan for the planning period July 1, 2023, to June 30, 2025, included Goal #20 which states: “Consider allowing licenses for Commercial Cannabis Storefront Retail”. Cannabis storefront retail refers to a physical, brick-and-mortar location where cannabis, cannabis products, and cannabis accessories are sold directly to customers. Unlike the “delivery only” business models which are allowed through the city’s current regulations, a commercial cannabis storefront retailer would have a physical location focused primarily on in-store purchases. It should be noted, however, that they may also (and often do) include delivery services. Most cannabis retail storefronts also operate under both a medical retail license as well as an adult recreational license.

In response to Council direction, staff prepared a series of study sessions on the topic, performed public outreach, conducted a community survey and completed a retail storefront market analysis; all of which were steps intended to inform and shape draft cannabis retail storefront policy for Council’s consideration.

On April 14, 2026, the Council study session will allow for public review of staff's progress on the initiative, including results of the community survey, findings from the market analysis, and an outline of the work plan for remaining steps.

## **Background**

On November 14, 2024, and on January 23, 2025, staff held study sessions on commercial cannabis retail storefront policy with the City's Economic Development Commission. At these sessions, staff presented past state and local laws pertaining to cannabis retail, reviewed current cannabis business activity in Novato, presented an update on regional policy conditions, and workshopped local policy shaping questions to ask Council.

On February 11, 2025, staff held a study session with the City Council, and focused Council's attention on whether (or not) to consider allowing Commercial Cannabis Retail Storefronts in the City of Novato. At this session, staff put together a presentation setting the context for the policy discussion as well as questions to consider in its direction to staff. The Council responded to the study session's questions as follows:

Does Novato want to consider storefront retail? *Yes*

- 1) How to process?
  - *Continue using the License process; Amend to streamline the timeline from application to operation*
- 2) Where to allow?
  - *Allow in Commercial Zoning Districts (including "adjacent to Downtown"), Apply distance requirements to sensitive sites consistent with current state and local requirements; Seek public input*
- 3) How many to allow?
  - *Limit or "cap" the number of retailers to no more than 3 stores (city-wide), Consider overconcentration limits (e.g. require minimum separation between stores)*
- 4) What site and/or operational standards to apply?
  - *Continue with current standards; but amend to streamline process and clarify standards; Update processing fees*
- 5) Allow for events, on-site consumption, and/or an on-site café?
  - *Seek public input*
- 6) Collect a supplemental cannabis tax or public benefit fee?
  - *Yes, continue with Community Benefit Agreements and with public benefit fee requirements of 3% to 6% of gross sales for storefront retail uses*
- 7) What other information is needed to inform these decisions?
  - *Conduct a market analysis; Conduct a community survey*

## **Community Survey**

On February 24, 2026, the City launched a community survey on the potential for commercial cannabis retail storefronts in Novato. The survey was advertised and promoted through the City's social media, newsletter and e-mail platforms and closed on March 23, 2026. The survey was the most successfully responded to survey in the City's history, with almost 800 responses and 80% of responses coming in from Novato residents (Attachments 1 and 2).

The community survey produced the following key findings:

- 64.5% are in support of storefronts (All Respondents)
- 66.7% are in support of storefronts (Novato Residents only)
- 34.7% are opposed (All Respondents)
- 32.3% are opposed (Novato Residents)
- 84% of respondents are over 40 years old
- The top three operational issues of concern included "security or crime" at 42%, "public consumption" at 35% and "loitering" at 28% of respondents; however, it should be noted that 40% of respondents registered "none of these concern me".

- The top four areas where respondents think storefronts should be allowed included “adjacent downtown”, “neighborhood shopping centers”, “large shopping centers” and the “downtown core (Grant Avenue)”.
- 58% support retail sales only
- Over 55% of respondents say to keep the same setbacks and definitions for “sensitive uses” as the state currently allows (a minimum of 600 feet to “Sensitive Uses” which are defined as K-12 schools, day care centers and youth community centers)
- 71% of all respondents supported a limit or “cap” on the number of storefronts allowed
- 50% want retail storefronts to pay a “community benefit fee”
- A total of 566 “other” or open written comments were received; representing a broad mix of support and opposition to cannabis and storefront retail in Novato
- Common themes in open comments representing support include:
  - Cannabis is legal to consume
  - Adults should be able to buy it safely in a store like they do alcohol and cigarettes
  - Cannabis users are driving out of town and back to buy it
  - Many use cannabis responsibly to address pain, sleep, anxiety, cancer or other health issues
  - Stores in other areas have proven they can be safe and well-run and are collecting tax revenue
- Common themes in open comments representing opposition or concern include:
  - Kids and teens may see the stores and think cannabis is “normal” or “safe” to use
  - Teens may get access to the products even if they aren’t allowed inside a store
  - Cannabis THC is stronger than ever
  - Crime and impaired driving (DUIs) may increase with increased access
  - Cannabis stores will impact the family-friendly character of Novato
  - Cannabis is a “gateway” drug

## Market Study

To assist in the consideration by Council for allowing cannabis retail storefronts, the City worked with HdL Companies to provide a market analysis as to the likely number of retailers that the City may be able to accommodate and the amount of revenue that might be generated through community benefit agreements.

The market analysis (Attachment 3) produced the following key findings:

- In 2016 voters in the City of Novato approved Proposition 64 by an overwhelming majority of 74.2%, nearly matching voters in San Francisco (74.3%) for the highest level of support in California. Marin County as a whole tied with Santa Cruz County for the second highest level of support at 69.6%, well above the statewide approval rate of 57.1%.
- Only 3 of the 11 cities within Marin County currently allow any type of commercial cannabis businesses
- 93% of consumers are willing to travel no more than 15 to 20 minutes to purchase cannabis. The cities of Petaluma, Cotati and Sonoma all allow for cannabis retail storefronts and all fall within this range, as do several unincorporated communities with cannabis retailers.
- 16 companies deliver to Novato
- Cannabis consumers show strong preference for in-person sales with approximately 75% of cannabis sales being walk-in when available
- Storefront retailers average \$6.5m/year, non-storefront \$1.3m/year
- Allowing 3 storefront retailers in City of Novato could capture up to 70% of local sales
- Cannabis market in Novato is approximately \$8.6 million/year in total
- Revenue projections are as follows:
  - Total Sales and Transactions Taxes: \$172,200
  - Community Benefit Fee: \$250,000 - \$500,000 (estimated at 3% - 6% rate)
  - Nearby jurisdictions currently charge 1%-4% via tax or fee

- Indirect market benefits include:
  - Fills demand for a product that is currently not available locally
  - Attracts occupancy and investment into vacant commercial properties
  - Required security measures benefit adjacent businesses

**Work Plan & Next Steps**

Staff will continue to collect data and develop community and agency partnerships to inform draft policy preparation. Policy development and community engagement will take place in the next few months through June 2026. Zoning Amendments would be considered by the City’s Planning Commission in August 2026, and the full policy package will be considered by the City Council in September 2026.

All public comments on the initiative will be considered. Submit comments to [Cannabis@Novato.gov](mailto:Cannabis@Novato.gov).

**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.gov/councilagendas](http://novato.gov/councilagendas) and sending an email notification to all e-notification subscribers.

**FISCAL IMPACT**

All associated costs, primarily staff time, have been 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 the presentation and conduct the study session on Commercial Cannabis Retail Storefronts in alignment with 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. Staff will proceed with the work plan.
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. Community Survey Results – Cannabis Retail – February 2026 – All Respondents
2. Community Survey Results – Cannabis Retail – February 2026 – Novato Residents
3. Market Analysis - Cannabis Retail - HdL – December 2025
4. Presentation (PDF)
5. Public Correspondence