

**City of Watsonville
Community Development Department**



M E M O R A N D U M

DATE: August 24, 2018

TO: Matthew D. Huffaker, City Manager

FROM: Suzi Merriam, Community Development Director
Justin Meek, AICP, Principal Planner

SUBJECT: Consideration of Amendments to Title 14 (Zoning) of the Watsonville Municipal Code for the addition of brewpubs in commercial zones CCA, CC, CT, CN, CNS, CO, and CV, and establish compliance checklist and additional application requirements

AGENDA ITEM: August 28, 2018 **City Council**

RECOMMENDATION

On July 3, 2018, the Planning Commission of the City of Watsonville adopted Resolution No. 09-18 (PC), recommending that the City Council adopt an ordinance amending Title 14 (Zoning) of the Watsonville Municipal Code (WMC) for the addition of brewpubs in commercial zones CCA, CC, CT, CN, CNS, CO, and CV, including the establishment of a compliance checklist and additional application requirements for alcohol establishments. As part of this action, the Planning Commission recommended the following revisions to the proposed text amendments:

- Limit the number of brewpubs allowed in the City to five
- Hours of operation to be:
 - Sunday-Thursday: 9:30 PM, last call at 9 PM
 - Friday-Saturday: 10:30 PM, last call at 10 PM

DISCUSSION

On July 3, 2018, the Planning Commission considered all written and verbal evidence regarding this application at a public hearing and made findings in support of the proposed text amendments with the aforementioned revisions.

Members of the public that spoke at the meeting include representatives of Santa Cruz County Community Prevention Partners, local business and property owners, as well as

representatives from the craft brewery industry, including Elkhorn Slough Brewery and Fruition Brewery. Their comments addressed a number of considerations, including the number of brewpubs allowed in the City and closing hours for brewpubs and other alcohol related establishments. As reflected in the Planning Commission minutes, some of the businesses and community members also raised concerns regarding the proposed 10 year time limit for the conditional use permit for new alcohol related establishments, citing concerns about the significant financial investment required for developing a craft brewery.

Attachment 1 provides the draft minutes for the hearing, and Attachment 2 provides the packet of written material, including the staff report to the Planning Commission along with attachments.

The staff report to the Planning Commission provides a discussion of the following:

- The history of the 2002 text amendments that incorporated safeguards, performance standards, and separation requirements for alcohol related establishments;
- The reduction in negative social and crime issues as a result of these safeguards;
- The emergence of a new type of alcohol establishment, commonly known as brewpubs;
- The need for regulations to allow for the establishment of this new use within the community; and
- The opportunity to provide enhancements to the City's existing alcohol regulations.

The proposed text amendments include the following:

- Creating a new land use classification code;
- Adding a new definition for brewpub;
- Amending conditionally permitted uses to include brewpub;
- Amending the Alcohol Ordinance to establish operational standards for brewpubs;
- Amending the Alcohol Ordinance to establish a "compliance checklist" and corresponding findings and conditions of approval to ensure on-sale alcohol establishments conform;
- Amending the Alcohol Ordinance to provide additional application requirements to ensure neighborhood compatibility and professional operating standards;
- Requiring operators to adopt and implement Responsible Beverage Service (RBS) policies and practices, including, but not limited to participation in a formal LEAD training program;
- Enhancing security measures, including requiring Police Department access to security video, and providing the Police Chief discretion to require private security is needed; and
- Establishing an application fee to be used solely for alcohol enforcement and monitoring.

As noted in the Planning Commission staff report, the above amendments represent what staff anticipates as being Phase I of a two phased approach to updating and enhancing the City's alcohol regulations. In discussions with community partners and business stakeholders, many jurisdictions have migrated to a "model ordinance" that places alcohol establishments in three risk categories (i.e., low, medium, and high risk), and applies different levels of requirements on each business, depending on which risk category they fall within. As Phase II, staff plans to

work with our community partners and business stakeholders to prepare a more comprehensive update to the alcohol ordinance, ensuring that Watsonville continues to place a high priority on protecting the health and public safety of the community.

Environmental Review

The proposed Zoning Code text amendment is exempt from the California Environmental Quality Act (CEQA), in that the action is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment and it can be seen with certainty that there is no possibility that the text amendment to regulate brewpubs would have a significant effect on the environment.

Required Findings

Pursuant to WMC Section 14-12.807, the Ordinance includes the following required findings for granting the proposed Zoning Code text amendment:

- (a) That the proposed Zoning Code text amendment is consistent with the policies embodied in the General Plan, in that the Ordinance allows the City to promote the peace, health, safety, and welfare within the community by regulating brewpubs, a new alcohol related use; and
- (b) That the proposed Zoning Code text amendment is compatible to the extent possible with the actual and general planned use of the adjacent properties, in that the Ordinance reduces the potential for nuisances to the public generated by brewpubs, a presently unregulated alcohol related use, by establishing consistent operational standards for brewpubs that are intended to limit impacts on adjacent uses and additional requirements to ensure neighborhood compatibility and professional operations

STRATEGIC PLAN

The purpose of the City of Watsonville's 2018-2020 Strategic Plan is to help the City prioritize its efforts, allocating both fiscal and human resources to achieve a shared vision and goals. The 2018-20 Strategic Plan identifies six goals, concerning housing, fiscal health, infrastructure and environment, economic development, community engagement and well-being, and public safety.

Enhancing and expanding the safeguards and operational standards for alcohol related establishments is consistent with the City Council's strategic goal of community engagement and well-being, and more specifically the focus area of improving community health.

FINANCIAL IMPACT

The City will begin charging an application fee as part of the special use permit application requirements. This fee is designed to create a funding source for the Police Department to increase preventative alcohol enforcement and monitoring activities.

ALTERNATIVES

The City Council could deny and/or modify the proposed text amendment.

ATTACHMENTS

1. July 3, 2018 Planning Commission public hearing minutes
2. July 3, 2018 Planning Commission meeting packet, consisting of the staff report to the Planning Commission.
3. Letter to City Council from Chris and Clark Codiga

cc: City Attorney

EXCERPT OF MINUTES

**REGULAR MEETING OF THE PLANNING COMMISSION
OF THE CITY OF WATSONVILLE**

**COUNCIL CHAMBERS
275 MAIN STREET, 4th FLOOR, WATSONVILLE, CALIFORNIA**

July 3, 2018

6:03 PM

5. PUBLIC HEARINGS

**A. PUBLIC HEARING TO CONSIDER PLANNING COMMISSION RECOMMENDATION
TO THE CITY COUNCIL ON AMENDMENTS TO TITLES 14-16, 14-18 AND 14-25 OF
THE WATSONVILLE MUNICIPAL CODE REGARDING BREWPUBS**

1) Staff Presentation

Staff report was given by Principal Planner Justin Meek.

In answering Commissioner Sarmiento about the hours of operation, Director Suzi Merriam stated that they currently do not have a standard "open" hour of operation for brewpub businesses, but have limited the hour to 10 AM for off-sale convenience store establishments.

In addressing Commissioner Sarmiento's concerns about brewpubs becoming bars, Principal Planner Meek clarified that a different type of Alcoholic Beverage Control (ABC) license would be required before that could happen.

Commissioner Sarmiento asked if there are any restrictions as to the amount of alcohol an establishment could sell.

Director Merriam stated that the ordinance currently does not have any restrictions on the amount of alcohol sale versus food sale.

In answering Commissioner Danna's question about the administrative fee, Principal Planner Meek stated that there will be a \$250 annual fee to subsidize any Police and Code Enforcement actions.

In answering Commissioner Jones regarding brewpubs requiring a Type 23 Alcoholic Beverage Control (ABC) license, as opposed to a Type 41 license, Principal Planner Meek clarified that brewpubs do not fall under the Type 41 license because restaurants cannot manufacture their own alcohol, thus making this a manufacturing license as opposed to a retail license.

Commissioner Jones asked if there is a limit to the amount of alcohol licenses permitted within the City of Watsonville.

Principal Planner Meek stated that there does not exist a limit, as ABC has concentration limits on retail establishments, but not non-retail establishments.



UNADOPTED MINUTES 4.A.

Commissioner Jones asked if that meant separation requirements, as outlined under a Type 20 or 41 license, would not apply to the brewpubs.

Planner Meek clarified that they added provisions about a Community Compatibility Plan to ensure that these, and any future brewpubs establishments, are cognizant of the way they operate within the community.

Director Merriam further clarified that separation requirements typically apply when you have off-sale only or sell hard alcohol. Brewpubs have some off-sale, but do not serve hard alcohol and include a restaurant component; therefore, distance requirements would not apply to them.

In answering Commissioner Jones' concerns regarding the ABC concentration limits, Principal Planner Meek stated that there exists concentration limits on the number of alcohol licenses for on-and-off sale, based on a per capita basis within individual census tracts.

In answering Commissioner Montesino's question regarding the amendment to the alcohol ordinance, Principal Planner Meek stated that through this amendment, they would be able to add language that would allow the operation of brewpubs within the City, and could potentially look into adding separation requirements as well.

Commissioner Jones asked if the City of Watsonville looked at other city's alcohol ordinances for reference.

Principal Planner Meek stated that they looked at other jurisdiction's ordinances, such as the City of Walnut Creek, and considered language from the Santa Cruz Community Prevention Partners to revise and strengthen the ordinance.

In answering Commissioner Veitch-Olson's question regarding the definition of a Type 23 ABC license, Principal Planner Meek clarified that since a restaurant would be tied to a brewpub, a micro-brewery only would not be allowed in commercial zones. Micro-breweries are permitted in industrial zones.

In answering Commissioner Veitch-Olson's question about the Special Use Permit being reduced from 20 to 10 years, Principal Planner Meek noted that the Planning Commission could make a recommendation to increase it back to 20 years for the City Council's approval.

Commissioner Jones asked if there was discussion about limiting the number of alcohol permits during phase II of the process.

Principal Planner Meek stated that it could be a topic for phase II.

2) Public Hearing

Chair Kammer opened the public hearing.

Michael Enos, Elkhorn Slough Brewing Company, spoke in favor of the item and listed his reasons.



UNADOPTED MINUTES 4.A.

Robby Olson thanked City staff for drawing the distinction between brewpubs and bars, and listed his reasons for supporting the item and encouraging the Commission to do the same.

Pat Fohrman, expressed support for the item. She recommended that the City refer to the alcohol ordinance from the City of Portland, Oregon, as she believes it is a good one.

Francisco Estrada, Pajaro Valley Community Health Trust, thanked City Staff for working on the ordinance, and spoke about additional types of conditions that should be included.

David Purgason, Fruition Brewing, spoke in support of the item, as he feels the update to the alcohol ordinance will be good for his business. Additionally, he suggested a 15-year Special Use Permit and expressed concern about the permanent trash receptacle being required.

Cristina Negrete, District 2, spoke in opposition to the item and shared her concerns about breweries opening near schools. She wishes there is more education regarding alcohol and how it can affect the youth in the community.

Gina Cole, District 7, provided a list of closing times for the surrounding 18 businesses with a Type 23 ABC license. She proposed having a 10 PM, or even 9 PM closing time for these businesses, and asked that the Commission be mindful about the concentration of businesses with alcohol licenses in the East Lake Village Shopping Center.

Erica Padilla-Chavez, CEO Pajaro Valley Prevention and Student Assistance, thanked City staff for inviting them to be a part of the conversation regarding this ordinance. She urged the City, businesses, and the community to work together so that everyone can win and live harmoniously.

Tallula Preston, Fruition Brewing, expressed support for the item and listed her reasons. She understands some of the concerns that were raised by the public, but spoke about the many positive aspects of the brewpubs.

Chris Codiga, East Lake Village Shopping Center, spoke in support of the item and the importance of keeping his shopping center safe. He looks forward to having Fruition Brewery join the shopping center, as he feels it will be a good move for Watsonville.

Adriana Marta, Program Manager Pajaro Valley Prevention and Student Assistance, expressed her concerns regarding the update to the alcohol ordinance. She is looking forward to working with the City to create more positive and engaging projects for the youth.

Ana Cristina Carpio shared her concerns about the concentrated areas of businesses with alcohol licenses, especially those in close proximity to schools.

Hearing no further public comment, Chair Kammer closed the public hearing.



3) Commission Discussion

In answering Commissioner Danna's question about why the Administrative Use Permit was reduced from 20 to 10 years, Principal Planner Meek stated that they came up with a ten-year time period in response to PVPSA's request for a five-year timeframe. He added that it is a topic that can be further discussed if the businesses find that the timeframe is a hardship.

Victoria Marta, PVPSA, further explained why they proposed a five-year timeframe.

In answering Commissioner Danna's questions regarding the Administrative Use Permit and the ability to amend the resolution at any given time, Principal Planner Meek and Director Merriam clarified that any new alcohol establishment that is approved under the updated alcohol ordinance would have their permit conditions approved five years from the date of approval. The Planning Commission and City Council has the ability to amend the ordinance at any given time, but if stricter regulations were to be adopted, those businesses that were previously approved wouldn't be subject to them until their permit is up for renewal or there is a change of ownership.

Principal Planner Meek and Director Merriam further explained the concept of the Neighborhood Compatibility Plan. The current alcohol ordinance does not include strict operational requirements for businesses, so in the event there was a license revocation required, the review process would be easier and more straight forward.

In answering Commissioner Montesino about a fee being established to educate the youth in the community, Principal Planner Meek stated that the Watsonville Police Department (WPD) already looks for funding through ABC to do community outreach.

Victoria Marta, PVPSA, added that the \$250 fee is a starting point and that it is something that can be further assessed once businesses begin to operate.

In answering Commissioner Jones and Montesino's questions regarding phase one and phase two of amending the alcohol ordinance, Director Merriam clarified that phase one would allow brewpubs and phase two would look at the entire alcohol ordinance and how it could be modified.

Commissioner Veitch-Olson inquired about the number of calls for service that have been received by WPD, specifically from craft breweries within Watsonville.

Assistant Police Chief Sims stated that although he does not have any statistics, so far in his tenure with the City he has not heard of any issues or complaints regarding the craft breweries currently in operation within the City.

Chair Kammer asked if commercial kitchens will be required for brewpubs.

Principal Planner Meek clarified that although food must be made available, commercial kitchens are not required.



UNADOPTED MINUTES 4.A.

Commissioner Kammer added that based on the success of the Art, Beer and Wine Walk event, she realized that there is a large desire from the community for businesses such as brewpubs and that she believes they would be very successful in the City of Watsonville.

Commissioner Sarmiento also spoke in support of brewery businesses, but would like to see restrictions put in place, such as the hours of operation and separation requirements from one another.

4) Motion:

Commissioner Montesino made a motion to limit the number of permitted businesses to five until phase two is reached, and to limit the closing time to 9:30 PM, with a last consumption time to 9:00 PM, Sunday to Thursday, and a closing time of 10:30 PM and last consumption time to 10:00 PM, on Friday and Saturday.

Chair Kammer made a second to the motion.

Commissioner Danna made a recommendation to allow the City Council to decide on whether they would like to limit the number of permits and operating hours for the businesses.

Commissioner Veitch-Olson agreed with Commissioner Danna’s comments, and requested amending the Administrative Use Permit from 10 to 15 years, as she thinks this time frame is a reasonable amount of time to allow a business to establish.

Vice-Chair Rivera agreed with Commissioner Veitch-Olson’s comments and to not overregulate businesses.

It was moved by Commissioner Montesino, seconded by Chair Kammer and carried by the following vote to adopt a resolution recommending to City Council approval of Amendments to Titles 14-16, 14-18 and 14-25 of the Watsonville Municipal Code regarding brewpubs, and recommending limiting the number of Type 23 ABC licenses to five permits, and limiting the hours of operation to closing time at 9:30 PM, with last call at 9 PM Sunday- Thursday and closing time at 10:30 PM with last call at 10 PM Friday- Saturday:

AYES:	COMMISSIONERS:	Jones, Montesino, Sarmiento, Kammer
NOES:	COMMISSIONERS:	Danna, Veitch-Olson, Rivera
ABSENT:	COMMISSIONERS:	None

6. REPORT OF SECRETARY

Director Merriam gave an update on the various projects happening throughout the City, such as, the Sunshine Vista project being continued to the August 28, 2018, City Council Meeting, the hiring of two planning consultants to help with the City’s emergency shelter ordinance and mobile home overlay zoning district, and the submittal of four applications for the Downtown Specific Plan with interviews taking place in late August. Additionally, she wished everyone a happy 4th of July and hoped everyone can make it to the Fire in the Sky event.



City of Watsonville MEMORANDUM



Date: June 25, 2018

To: Planning Commission

From: Suzi Merriam, Community Development Director
Justin Meek, AICP, Principal Planner

Subject: CONSIDERATION OF AMENDMENTS TO TITLE 14 (ZONING) OF THE WATSONVILLE MUNICIPAL CODE FOR THE ADDITION OF BREWPUBS IN COMMERCIAL ZONES CAA, CC, CT, CN, CNS, CO, AND CV, AND ESTABLISH COMPLIANCE CHECKLIST AND ADDITIONAL APPLICATION REQUIREMENTS

AGENDA ITEM: July 3, 2018

Planning Commission

RECOMMENDATION:

Staff recommends that the Planning Commission adopt a resolution recommending the City Council amendments to Title 14 (Zoning) of the Watsonville Municipal Code for the addition of Brewpubs in commercial zones CAA, CC, CT, CN, CNS, CO, and CV, including the establishment of a compliance checklist and additional application requirements for alcohol establishments.

BASIC PROJECT DATA

PROJECT DESCRIPTION: Amendments to Title 14 (Zoning), regulating Alcohol Related Uses

GENERAL PLAN/ZONING: Citywide

PROPERTY OWNERS: Citywide

DISCUSSION: In 2002, the City Council added Chapter 25 (Alcohol Related Uses) of Title 14 (Zoning) of the Watsonville Municipal Code, to incorporate safeguards, performance standards, and separation requirements for alcohol related establishments (Ordinance No. 1135-02). The 2002 Zoning Code text amendments were the result of a significant community-based effort to curtail negative health and public safety impacts resulting from alcohol establishments not operating responsibly at the time. Prior to adopting the text amendments, the City had experienced significant social and crime issues related to the over concentration of alcohol sales establishments. As a result of the new safeguards, Watsonville has successfully mitigated many of the negative impacts.

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Over the past 15 years, the market has evolved and a new type of alcohol related establishment has emerged, commonly known as micro-breweries, with a land use definition of “Brewpub”. Brewpubs operate under an ABC (Alcohol Beverage Control) Type 23 license and have the same privileges as a large brewery with a Type 1 license (Beer Manufacturer), such as the authorization to sell beer and wine for consumption at a restaurant onsite or one adjacent to the brewery’s licensed premises. Brewpubs and micro-breweries have grown in popularity throughout the state and often serve as community gathering places, helping to reactivate commercial areas and blighted shopping centers.

There has been increased interest from local brewpub business owners in locating in Watsonville. The City’s Zoning Code regulating alcohol uses, however, does not provide any specific guidance for establishments operating with a Type 23 license. In response to this increasing demand and in an effort to ensure sufficient safeguards and operational standards are established for this new use, staff has been working with Santa Cruz County Community Prevention Partners and business stakeholders to develop a number of enhancements to the City’s existing alcohol regulations, as well as create a new definition for brewpubs. The focus of this work was to ensure that the City could be responsive to this new use, while also ensuring that brewpub businesses will operate in a responsible manner. This review of the current alcohol regulations also presented an opportunity for staff to incorporate additional operational standards and compliance safeguards for all alcohol related uses going forward.

As a result of this work, the proposed amendments include the following:

- creating a new land use classification code;
- adding a new definition for brewpub;
- amending conditionally permitted uses to include brewpub;
- amending the Alcohol Ordinance to establish operational standards for brewpubs;
- amending the Alcohol Ordinance to establish a “compliance checklist” and corresponding findings and conditions of approval to ensure on-sale alcohol establishments conform;
- amending the Alcohol Ordinance to provide additional application requirements to ensure neighborhood compatibility and professional operating standards;
- requiring operators to adopt and implement Responsible Beverage Service (RBS) policies and practices, including, but not limited to participation in a formal LEAD training program;
- enhancing security measures, including requiring Police Department access to security video, and providing the Police Chief discretion to require private security is needed; and
- establishing an application fee to be used solely for alcohol enforcement and monitoring.

The above amendments represent what staff anticipates as being Phase I of a two phased approach to updating and enhancing the City’s alcohol regulations. In discussions with community partners and business stakeholders, many jurisdictions have migrated to a “model ordinance” that places alcohol establishments in three risk categories (i.e., low, medium, and high risk), and applies different levels of requirements on each business, depending on which

risk category they fall within. As Phase II, staff plans to work with our community partners and business stakeholders to prepare a more comprehensive update to the alcohol ordinance, ensuring that Watsonville continues to place a high priority on protecting the health and public safety of the community.

STRATEGIC PLAN: Enhancing and expanding the safeguards and operational standards for alcohol related establishments is consistent with the City Council's goal of Community Engagement and Well-Being, and more specifically the focus area of improving community health.

FINANCIAL IMPACT: The City will begin charging an application fee as part of the special use permit application requirements. This fee is designed to create a funding source for the Police Department to increase preventative alcohol enforcement and monitoring activities.

ATTACHMENTS:

None

cc: City Attorney

OAKTREE PROPERTY COMPANY

August 23, 2018

City Councilmembers
City of Watsonville
275 Main Street
Watsonville, CA 95076

Re: Craft Brewery Ordinance

Dear Councilmembers,

We strongly support the Craft Brewery Ordinance which is being proposed by City Staff. We have worked diligently with City Officials to give input for the ordinance. As third generation Watsonville Business Owners and community supporters we understand the history of our town, the needs of businesses and the wishes of our community.

A few of the key requirements in order to make this ordinance feasible for a new business are:

1. Operating Hours. Minimum hours: last call 10:00pm, closing 10:30pm.
2. Conditional Use Permit. Minimum 20 Years. Based on the enormous capital investment required by the Operators and Landlords, this is a reasonable period of time. Any shorter time, does not justify the investment. The ABC and City will continue to have oversight over these licenses.

We have spoken with countless community residents who agree with these reasonable parameters.

Thank you for taking the time to represent the current views of the Watsonville Residents and Business Community. These type of business will benefit the local economy, create jobs, tax revenue and satisfy the needs of residents, eliminating the need to drive out of town for these businesses.

Respectfully,



Clark Codiga



Chris Codiga

936 East Lake Avenue
Watsonville, CA 95076
(831) 722-9922

ATTACHMENT 3
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