

***Union of Medical Marijuana Patients v. City of San Diego***  
**(Aug. 19, 2019) \_\_\_ Cal.5<sup>th</sup> \_\_\_**

In 2014, the City amended its zoning ordinance to regulate medical marijuana dispensaries' location and operation. It added dispensaries to the list of permitted uses in two of the six commercial zones and two of the four industrial zones while excluding dispensaries from open space, agricultural, and residential zones. No CEQA document was prepared for this change to the City zoning ordinance because the City found that adoption of the ordinance did not constitute a project for CEQA purposes

UMMP brought suit, alleging that amendment of a zoning ordinance is conclusively considered a project because it is specifically listed as such in Public Resources Code (PRC) Section 21080 and meets the definition of a project under PRC Section 21065 (a discretionary activity with the potential for direct or a reasonably foreseeable indirect effect). The Court of Appeal opined that a zoning ordinance amendment was subject to the same statutory test for project-ness as activities not listed in Section 21080. As a result, the Court of Appeal held in favor of the City, finding that the ordinance was not a project because it lacked the potential to result in a physical change in the environment.

The California Supreme Court concluded that: "the various activities listed in section 21080 must satisfy the requirements of section 21065 before they are found to be a project for purposes of CEQA. ... we conclude that the Court of Appeal misapplied the test for determining whether a proposed activity has the potential to cause environmental change under section 21065, which was established in *Muzzy Ranch Co. v. Solano County Airport Land Use Commission* (2007) 41 Cal.4th 372 (*Muzzy Ranch*), and erred in affirming the City's finding that adoption of the ordinance did not constitute a project. For that reason, we reverse [the court's decision] and remand for further proceedings."

The Supreme Court clarified that Section 21080 does not, as a matter of law, mandate that a zoning ordinance amendment will always be a CEQA project. Sections 15080 and 15065 work in harmony: 15080 offers that, by way of example, an ordinance amendment could be a project, and 15065 applies to determine whether it is.

The Supreme Court reasoned:

Applying the foregoing test, we conclude the City erred in determining that the adoption of the Ordinance was not a project. Prior to the Ordinance, no medical marijuana dispensaries were legally permitted to operate in the City. The Ordinance therefore amended the City's zoning regulations to permit the establishment of a sizable number of retail businesses of an entirely new type. Although inconsistency with prior permissible land uses is not necessary for an activity to constitute a project (see *Muzzy Ranch, supra*, 41 Cal.4th at p. 388), establishment of these new businesses is capable of causing indirect physical changes in the environment. At a minimum, such a policy change could foreseeably result in new retail construction to accommodate the businesses. In addition, as UMMP suggests, the establishment of

new stores could cause a citywide change in patterns of vehicle traffic from the businesses' customers, employees, and suppliers. The necessary causal connection between the Ordinance and these effects is present because adoption of the Ordinance was "an essential step culminating in action [the establishment of new businesses] which may affect the environment." (*Fullerton Joint Union High School Dist. v. State Board of Education* (1982) 32 Cal.3d 779, 797 (*Fullerton*)). The theoretical effects mentioned above are sufficiently plausible to raise the possibility that the Ordinance "may cause . . . a reasonably foreseeable indirect physical change in the environment" (§ 21065), warranting its consideration as a project.

The City had rejected UMMP's claims that the new ordinance would result in indirect effects due to changes in traffic, horticulture, and concentration of dispensaries because UMMP failed to provide supporting evidence. The Supreme Court reasoned that at this early point in the CEQA process – determining whether the action is even a project - this "put the cart before the horse:"

The likely *actual* impact of an activity is not at issue in determining its status as a project. [footnote omitted] Further, at this stage of the CEQA process virtually any postulated indirect environmental effect will be "speculative" in a legal sense — that is, unsupported by evidence in the record (e.g., *People v. Murtishaw* (2011) 51 Cal.4th 574, 591 ["defendant's claim . . . is entirely speculative, for he points to nothing in the record that supports his claim"]) — because little or no factual record will have been developed. A lack of support in the record, however, does not prevent an agency from considering a possible environmental effect at this initial stage of CEQA analysis. Instead, such an effect may be rejected as speculative only if, as noted above, the postulated causal mechanism underlying its occurrence is tenuous.

The City argued that there was not was too little known about the potential impacts of the ordinance amendment to permit environmental review. The Court rejected that argument. The determination of whether an activity is a project under CEQA is separate (and preliminary to) an agency's determination of whether that project may have significant physical impacts. The Court concluded its decision as follows:

It ultimately might prove true that, in the context of the City, the actual environmental effects of the Ordinance will be minimal. It is possible, as the Court of Appeal assumed, that the City's commercial vacancy rate is sufficient to provide retail space for the new businesses without the need for expansion. (*Marijuana Patients, supra*, 4 Cal.App.5th at p. 123 [dispensaries "could simply cho[ose] to locate in available commercial space in an existing building"].) It is also possible, as UMMP suggests, that a significant number of unlicensed businesses selling medical marijuana already exist in the City and that the newly licensed businesses will simply displace them. Rather than causing increased traffic and other activity, the net effect of this substitution might be little or no additional environmental burden on the City. All of these factors can be explored in the second and, if warranted, third tiers of the CEQA

process. As to those tiers, we are in no position to offer, and do not express, an opinion on the applicability of the various exemptions or, alternatively, the appropriate level of environmental review.