

MEMORANDUM

TO: Claire Powell, City Manager

FROM: Richard E. Luedke, FAICP, Planning Director

DATE: August 17, 2026

SUBJECT: **Continued Public Hearing: Consideration of an Ordinance of the Lewisville City Council, Amending the Zoning Ordinance by Granting a Special Use Permit for Smoking Establishment on a Portion of an Approximately 1.828-Acre Tract Legally Described as Highpoint Oaks Addition, Lot 3R1, Block C, Located at 2680 Denton Tap Road, and Zoned Light Industrial (LI) District; Providing for a Savings Clause, Repealer, Severability, Penalty, and an Effective Date, as Requested by Naheed Vellani and Irfan Shah, the Applicants, on Behalf of Hilltop Corner LLC, the Property Owner (Case No. 26-05-8-SUP).**

BACKGROUND:

Marhaba Lounge is a proposed 1,765 square-foot hookah lounge to be located within a portion of an existing shopping center on the site. The space was previously occupied by the 1738 Lounge, which closed several months ago. The applicants were preparing to open the proposed hookah lounge; however, during the certificate of occupancy process, staff informed the applicant that a special use permit (SUP) would be required to operate the hookah lounge. The applicants have delayed opening the business until final action occurs on the SUP. The business will operate from 11:00 am to midnight Sunday through Thursday, and 11:00 am through 2:00 am Friday and Saturday. In addition to offering hookah, light food options and non-alcoholic beverages will be offered. The applicants anticipate 70-75% of sales from hookah sales and 30% from food sales. The Planning and Zoning Commission recommended approval (6-1) on July 7, 2026. The City Council continued the public hearing for this item on August 3, 2026, to provide staff more time to work with the applicants to finalize appropriate ordinance conditions to protect public safety and nearby properties.

ANALYSIS:

Article III, Chapter 9, Section 2 of the UDC lists the criteria for approval for SUPs. Staff's analysis for each criterion is outlined below:

A. Compatibility with surrounding uses and community facilities.

Marhaba Lounge will be located in a multi-tenant retail building that has several uses, including an event center, donut shop, liquor store, and flooring showroom. Directly adjacent to the property is a self-storage facility. The nearest residential use is over 500 feet away. The use is therefore compatible with its surroundings.

B. Compatibility with the comprehensive plan and any adopted long-range plans addressing the area.

This proposed location for this business is located within one of the major employment centers areas identified by the Lewisville 2025 Vision Plan. Marhaba Lounge is a small business, and the managing partners predict that their business will add 6 full-time and 4 part-time employees, adding some additional employment opportunities in the area.

C. Enhancement or promotion of the welfare of the area.

The proposed business will add to the business variety in the area and promote the general economic welfare of the area. The business will also operate in a space where a previous business closed.

D. Whether the use will be detrimental to the public health, safety, or general welfare; and

The applicant intends to mitigate any potential detrimental effects by enforcing a strict age verification policy to only sell hookah to patrons who are 21+ in age. Additionally, a new commercial-grade ventilation and air filtration system will be added that will meet local health and building code requirements. The business will also not allow BYOB (bring your own alcoholic beverage). The applicant has confirmed that no dance floor or DJ Booth will be provided, no loud parties will be allowed and that only soft music played in addition to television sound.

E. Conformity with all zoning regulations and standards.

The physical site will remain largely unchanged.

Staff has worked with the applicants to ensure that the associated ordinance includes appropriate conditions to protect public safety and nearby properties. The applicants have confirmed that they are in agreement with all conditions listed below:

- Any use of Smoking Establishment on the Property will verify customers' ages and prohibit the sale or provision of shisha to anyone under the age of 21.
- Any use of Smoking Establishment on the Property will install and maintain a commercial-grade ventilation and air-filtration system covering the entirety of the Premises that meets or exceeds all applicable health, building, and fire code requirements.
- Any use of Smoking Establishment on the Property will implement sound-management measures on the Premises to minimize impacts on neighboring properties and residents, including but not limited to maintaining music and television volumes on the Premises at a level that allows patrons to hold conversations without raising their voices.
- Any use of Smoking Establishment on the Property will not have a DJ booth or dance floor.

- No alcohol may be sold, served, possessed, or consumed on the Premises, including alcohol brought onto the Premises by patrons under a BYOB arrangement.
- Hours of operation of any use of Smoking Establishment on the Property will be limited to Sunday through Thursday 11:00 a.m. to midnight and Friday and Saturday 11:00 a.m. to 2:00 a.m.
- Any change in ownership, tenancy, or operational control will terminate this Special Use Permit.
- The Special Use Permit will remain conditioned upon continued compliance with all applicable federal, state, and local laws, ordinances, regulations, and permit requirements, and repeated or material violations occurring on the Premises constitute a failure to comply with this condition.

CITY STAFF'S RECOMMENDATION:

That the City Council approved the ordinance as set forth in the caption above.