



Legislation Text

---

File #: 20-0904, Version: 1

---

**AGENDA REPORT  
REQUEST FOR CITY COUNCIL ACTION**

DATE: 11/04/2020

TO: Honorable Mayor and City Council Members

FROM: Administrative Services Department

**SUBJECT:**

Public Hearing for City Council consideration of Resolution No. 2020-135 establishing Application Fees for Commercial Cannabis Permits.

**RECOMMENDED ACTION:**

**That the City Council:**

- a. Adopt Resolution No. 2020-135 incorporating the Commercial Cannabis Permit Application Fees into the Citywide Master Fee Recovery Schedule.
- b. Authorize the Acting Administrative Services Director to approve additional budgetary adjustments for the Commercial Cannabis Permit Application Fees, if needed.

**ANALYSIS:**

The Citywide Master Fee Recovery Schedule, last amended by Resolution No. 2019-079, includes all charges that have been established based on the cost to provide the service such as inspection and plan checks and building related permits. While the Citywide Master Fee Recovery Schedule is generally reviewed and updated on a biennial basis, revisions may be made periodically throughout the year as needed.

In California, local government is granted the authority to impose user and regulatory fees for services by the State Constitution. As defined by Article XIII C, Section 1, a fee may not exceed the estimated reasonable cost of providing the service. For a fee to qualify under this authority, it must relate to a service or activity requested by an individual. If this request causes the local agency to perform service that is either discretionary or subject to regulation, then it is considered a user fee.

At the October 7, 2020 City Council Meeting, in preparation for the anticipated implementation of the

cannabis application process in January 2021, Operating Fees were established. Thus, the City engaged with MGT Consulting Group (MGT), the City's current fee consultant resulting from the award of Request for Proposals (RFP) 18-023WY Cost Allocation Plan (CAP) and Fee Study in 2018, to conduct a Cannabis Fee Study. MGT has experience with several local governments who have implemented cannabis regulations and programs, including Santa Cruz County, City/County of Denver, Monterey County Environmental Health, and the State of Maryland. After project kickoff meetings, MGT and Administrative Services Department staff met with key departments to (1) document City processes associated with commercial cannabis and (2) capture time estimates to determine costs. The departments involved included the City Attorney's Office, the Community Development Department, the Police Department, and the Fire Department. MGT then reviewed the City ordinances that govern commercial cannabis, developed a fee structure, and calculated the full cost of the City activities associated with the new regulations.

The City's commercial cannabis permit program is brand new, and therefore, staff has not been able to perform time studies, nor is there any historical data to draw from. For this reason, MGT recommends that the City re-analyze the fees in approximately three years' time. Once the commitment is made to understand the full cost of providing services, it is important to review and update the analysis in order to keep pace with changes in service delivery, staffing changes, and demand levels. The schedule of proposed fees reflects the services, activities and efforts associated with application review, approval and annual regulatory process required by the City's Commercial Cannabis Regulations. Those regulations are a combination of the local ordinance that governs approved uses of commercial cannabis. A broad description defining each category of the proposed fee schedule can be found in the Commercial Cannabis Fee Study prepared by MGT. The fees included in the program are:

- Initial Application
  - Merit-Based Review Ranking Application for Storefront Retail Cannabis Businesses - *Costs to be determined*
    - The City will engage with a Consultant to facilitate a review by a panel of non-City employee volunteers who will rank the applicants based on merit. The Consultant costs are yet to be determined.
  - Commercial Cannabis Permit - Storefront Retailer - *\$9,948 per application*
    - Plus pro rata share of actual cost of Consultant for Merit-Based Evaluation Process (Actual Cost / Number of Applicants)
  - Commercial Cannabis Permit - Non-Storefront/Retailer/Manufacturing/Distribution/Testing Laboratory - *\$8,878 per application*
- Annual Renewal - *\$1,890 per renewal*
- Annual Renewal Late Fee
  - *45-59 days prior to permit expiration - \$473*
  - *30-44 days prior to permit expiration - \$945*
  - *15-29 days prior to permit expiration - \$1,418*
  - *14 days or less prior to permit expiration - \$1,890*
- Request for Premises Modification - *\$2,285 per request*
- Transfer of Less Than Majority Ownership - *\$2,545 per application*
- Change in Name or Form of Business Entity - *\$1,032 per notification*

- Change of Premises Location - *\$4,696 per application*
- Live Scan/Background Check - *\$537 per employee*
- Employee Identification Badge Replacement - *\$79 per badge*

Based upon the City Council's approval of Resolution 2020-135, the Commercial Cannabis Permit Application Fees will go into effect 60 days after approval, or January 3, 2021. Upon approval by the City Council, the fees will be posted on the City's website.

**COMMITTEE ACTION:**

Since June 2019, the Cannabis Ad Hoc Committee has had multiple meetings on the City's proposed commercial cannabis ordinance and proposed resolution to establish rules and regulations for commercial cannabis businesses. On October 7, 2020, the City Council adopted Resolution No. 2020-126 establishing rules and regulations for permitting commercial cannabis businesses.

**STRATEGIC PLAN:**

Not applicable.

**FISCAL IMPACT:**

Commercial Cannabis Permit Application Fees shall be effective 60 days after City Council's approval, or January 3, 2021. Overall, the Cannabis Program fees are estimated to increase revenues by \$261,000. Since all these fees are new, the volume of activity are estimates. Revenue budget amendments for Fiscal Year 2021 will be incorporated during the fiscal year, as needed.

**ENVIRONMENTAL ANALYSIS:**

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This Resolution establishes fees for services provided by the City, and there is no possibility that this action will have a significant effect on the environment.

**PREPARED BY:** LUIS NAVARRO, FINANCIAL ANALYST II

**REVIEWED BY:** KIM SITTON, ACTING ADMINISTRATIVE SERVICES DIRECTOR

**REVIEWED BY:** ROGER BRADLEY, ASSISTANT CITY MANAGER

**SUBMITTED BY:** JACOB ELLIS, CITY MANAGER

**Attachments:**

1. Exhibit 1 - Resolution No. 2020-135
2. Exhibit 2 - MGT Consulting Group - Commercial Cannabis Fee Study