



CITY COUNCIL AGENDA STATEMENT



October 1, 2019

File ID: 19-0436

TITLE

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA AMENDING CHAPTER 4 (GENERAL BUSINESS FEES) OF THE CITY'S MASTER FEE SCHEDULE RELATING TO COMMERCIAL CANNABIS LICENSE FEES

RECOMMENDED ACTION

Council adopt the resolution.

SUMMARY

An amendment of the City's Master Fee Schedule to establish Commercial Cannabis License fees is recommended.

ENVIRONMENTAL REVIEW

The City's Development Services Director has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

In March 2018, the City Council voted to approve [Ordinance 3418](#), which created a licensing and regulatory structure for the operation of lawful cannabis businesses in the City of Chula Vista; such structure is codified in the newly created Chula Vista Municipal Code (CVMC) Chapter 5.19 (Commercial Cannabis).

CVMC Section 5.19.290 made the effectiveness of Ordinance 3418 contingent on voter approval of a cannabis tax measure to be placed on the November 2018 ballot. A cannabis tax measure, Measure Q, was ultimately approved by voters and was certified by the City Council on December 11, 2018. As a result, Chapter 5.19 has now gone into effect.

CVMC Section 5.19.080(T) states that fees and charges associated with commercial cannabis activity will be established by resolution of the City Council. Accordingly, on December 18, 2018 City Council adopted fees

for the first phase of the commercial cannabis license application process. Staff now recommends and proposes the establishment of additional commercial cannabis license application fees and other miscellaneous cannabis-related fees in order to recover the costs of processing cannabis business applications through the remainder of the licensing process. Such costs would include reimbursement of staff processing and review time and the costs of hiring consultants to assist in vetting and selecting qualified cannabis business applicants; approving their location in Chula Vista in compliance with the Municipal Code; and overseeing that each businesses operation is in compliance all applicable state and local regulations.

Application and Compliance Fees

The proposed resolution amends Chapter 4 (General Business Fees) of the City’s Master Fee Schedule to add Phase 2 Commercial Cannabis Application, Compliance, Inspection, and License Processing Fees as well as License Renewal, Annual Compliance Inspection and associated fees. The fees are proposed as follows to provide full cost recovery for City services:

Application/Initial Compliance Inspection Phase 2 – a fee of \$16,570 per application will be required at the initiation of the Phase 2 process. This fee will recover all reasonable costs of developing the cannabis application process including: creating necessary forms; web pages; procedures; processes; selection criteria; technical support; and all other program development costs. This fee will also be used for application review for compliance with local and state cannabis laws and regulations; security plan evaluation; review of emergency action and fire prevention plans; location verification; site inspections; data system updates and other administrative functions. This fee will be required to be paid upon submittal of the application by the applicant and will be in addition to any other development permit and processing fees that the proposed cannabis business may require.

First Year Compliance Inspection Phase 2 – a fee of \$31,275 per application, will be required at issuance of conditional license. This fee will primarily offset City costs associated with the regulatory compliance review and inspection of each business during the first year following final State Cannabis License and final building inspection by the City. The first-year compliance inspection includes four (4) City inspections per cannabis business.

License Renewal/Compliance Inspection – a renewal and compliance inspection fee of \$28,210 per license will be required each year after the first year.

Additional Fees

Two additional fees are also proposed. The first – Annual Compliance Inspection - includes a license yearend regulatory compliance and financial audit review and report preparation for each business to be performed by the City’s contractor (HDL). The second – Reinspection Fee – is charged for each inspection beyond the standard four (4) inspections included in the First Year Compliance and License Renewal/Compliance Inspection Fees.

- Annual Compliance Inspection (HDL) - \$6,000 (per business)
- Reinspection Fee - \$330 (per inspection)

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the real property holdings of the City Council members do not create a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

CURRENT-YEAR FISCAL IMPACT

Approval of the resolution will likely result in a positive fiscal impact to the General Fund as all reasonable staff and consultant costs associated with the cannabis regulatory process will be reimbursed to the General Fund and Development Services Fund from the fees.

ONGOING FISCAL IMPACT

There will be no material impact to the General Fund or Development Services Fund in future years as a result of these fees being approved. All fees are designed to recover costs for staff time and consultants.

ATTACHMENT

1. Redline Master Fee Schedule Bulletin 4-100 (Business Fees)
2. Cost of Service Analysis

Staff Contact: Kelly Broughton, Development Services Director