



CITY COUNCIL AGENDA STATEMENT



April 21, 2020

File ID: 20-0130

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 TO MODIFY VARIOUS CANNABIS-RELATED FEES

RECOMMENDED ACTION

Council adopt the resolution.

SUMMARY

An Amendment of the City's Master Fee Schedule to modify Cannabis application fees is recommended.

ENVIRONMENTAL REVIEW

The Director of Development Services 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 because it will not result in a physical change in the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Thus, no environmental review is required.

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 Chula Vista Municipal Code Chapter 5.19.

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.

Section 5.19.080(T) states that fees and charges associated with commercial cannabis activity will be established by resolution of the City Council. Staff initially recommended and proposed the establishment of cannabis application and other cannabis-related fees to City Council, which was approved on December 18, 2018. Such application fees were utilized in the January 2019 application period. City intends to open a

second 2020 application period. In preparation for this 2020 application period, staff have reviewed the actual time spent on the 2019 round of cannabis applications and determined that the costs of processing such applications were underestimated. Additionally, staff have also analyzed changes to the application process that will be implemented for the 2020 application period. Consequently, staff now proposes that the cannabis application fees, and other cannabis-related fees be modified. The following are highlights of the recommended changes based on staff analysis:

- Previously, the phase one application fees were divided into phase 1a, 1b, 1c, and 1d fees, for a total phase one application fee of \$6,049. The 2020 application period will have a single phase one application fee of \$7,493. The 2020 application period will be open to non-retail license applicants only and will involve a new, streamlined process that does not utilize an outside consultant. In the newly revised application process, all applicants will go through the entire phase one process.
- Previously, the background fees were divided into two sub-fees, the provisional background review and secondary background review, for a total fee of \$647. The 2020 application period will have a single background review fee of \$1,155. The City is no longer conducting provisional and secondary background reviews but is instead conducting a single background review of each applicant. As a result, it is appropriate to consolidate these fees.
- Previously, all applications were new and subject to the same application fee. Staff anticipate that the 2020 application period will include both new applications and re-submissions of substantially similar applications from 2019. The proposed fees in the Cost of Service Analysis (Attachment 2) include a component of prework, and ongoing support spread over 30 application/re-submissions. The assumption of 30 applications/resubmissions is deemed appropriate based on the number of non-retail license applications submitted during the 2019 application period. Since the resubmitted applications will require less staff time, staff have calculated separate new application and resubmittal application fees of \$7,493 and \$2,800, respectively. Similarly, staff have calculated separate new background review and resubmittal background review fees of \$1,155 and \$663, respectively.

The cannabis application fees, and other cannabis-related fees were established solely to recover the costs of processing cannabis business applications. Such costs would include reimbursement of staff processing, reviewing and selecting qualified cannabis business applicants.

Application Fees

As proposed, Resolution A amends Chapter 4 (General Business Fees) of the City's Master Fee Schedule to modify Cannabis Application Fees and other cannabis-related fees.

Application Phase 1 – "Application Process Development" establishes a fee of \$7,493 per application for new applications and a fee of \$2,800 for resubmittal applications. These fees 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. These fees will be required to be paid upon submittal of the application by the applicant.

Additional Fees

- New Background Review - \$1,155 (per individual)
- Resubmittal Background Review - \$663 (per individual)

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the 500-foot rule found in California Code of Regulations Title 2, section 18702.2(a)(11), is not applicable to this decision for purposes of determining 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 Councilmember, 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 costs associated with the application development process will be reimbursed to the General Fund from the application fees. The exact impact will be determined after the application process is completed. A budget amendment will be brought back to Council once the exact impacts are known.

ONGOING FISCAL IMPACT

There will be no material impact to the general fund in future years as a result of these fees being approved. All fees are designed to simply recover costs for staff time and consultants.

ATTACHMENTS

1. Resolution
2. Cost of Service Analysis

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