

Agenda Report

April 29, 2019

TO: Honorable Mayor and City Council

FROM: Planning & Community Development Department

SUBJECT: AUTHORIZATION TO AMEND CONTRACT 31379 WITH HINDERLITER, DE LLAMAS AND ASSOCIATES TO PERFORM THIRD PARTY REVIEW AND SCORING OF COMMERCIAL CANNABIS APPLICATIONS

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the actions proposed are exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061 (b)(3) as they will not have a potentially significant environmental effect and, therefore, fall under the General Rule exemption;
2. Authorize the City Manager to amend contract 31379 with Hinderliter, de Llamas and Associates for third party review and scoring of commercial cannabis applications to increase the not-to-exceed amount from \$250,000 to \$450,000.
3. To the extent this could be considered a separate procurement subject to the Competitive Selection Process, it is recommended that the City Council grant the contract an exemption pursuant to Pasadena Municipal Code (PMC) Section 4.08.049(B), contracts for which the City's best interests are served.
4. Amend the Fiscal Year 2019 Operating Budget to recognize revenues of \$1,747,712 and appropriate funds in the amount of \$450,000.

BACKGROUND:

Hinderliter, de Llamas and Associates (HdL) is a leader in cannabis consulting services, providing jurisdictions in California, Colorado and Nevada with support for regulation/ordinance preparation, application process development, application review, cannabis tax administration, and other services related to the commercial cannabis industry. As part of Pasadena's commercial cannabis program, staff considered various options for conducting the review of submitted applications and concluded that the best

option for such was to have an independent third party perform the review and scoring of all applications for a commercial cannabis permit. On December 17, 2018 City Council awarded a contract to HdL in an amount not to exceed \$250,000 to review and score the commercial cannabis applications.

The window to submit commercial cannabis applications was January 1, 2019 to January 31, 2019. The contract awarded to HdL was based on their cost of \$3,000 to review each application and staff's estimate that 60-70 applications would be received. The Commercial Cannabis Application fee of \$13,654 would offset the \$250,000 initial contract costs associated with the third party review and previous expenses related to the establishment of the commercial cannabis regulations.

The City received 128 applications for cannabis businesses (retailers, cultivators, and testing laboratories). The number of applications exceeded estimates and requires an increase to the contract with HdL to review and score all applications. In addition, a cost has been determined to interview the highest scoring applicants in each commercial permit category with an amount estimated for up to 60 interviews. An increase of \$200,000 is requested to contract 31379 to change the not to exceed amount from \$250,000 to \$450,000.

Review and scoring of the 128 submitted commercial cannabis applications is currently underway and is expected to be completed by early May. Upon completion of the review and scoring of the applications, the top applicants for each permit type will be invited for an interview to further clarify the submitted materials. Applicants with the highest scores following both the review of applications and the interview will be identified to submit an application for a land use approval to receive a commercial cannabis permit.

All applicants will be contacted in writing regarding the status of their application by mid-May. Interviews are anticipated to occur in June 2019. Final scoring of the applications will be available following completion of the interviews and selection of top candidates.

COUNCIL POLICY CONSIDERATION:

The proposed actions are consistent with the City Council's strategic planning goal to maintain fiscal responsibility and stability.

ENVIRONMENTAL ANALYSIS:

The actions proposed herein are not projects subject to the California Environmental Quality Act (CEQA) in accordance with Section 21065 of CEQA and State CEQA Guidelines Section 15060 (c)(2), 15060 (c)(3), and 15378. Since the actions are not projects subject to CEQA, no environmental document is required.

FISCAL IMPACT:

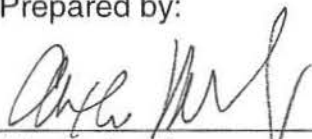
Approval of the recommended action will result in the City recognizing additional revenue of \$1,747,712 (Acct no 10121003-661400) for the cannabis applications received and appropriating \$450,000 (Acct no 10121001-811500) for the contract services for commercial cannabis application review consulting services.

Respectfully submitted,



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