



DATE: March 27, 2018

TO: Mayor and City Council

FROM: City Manager

SUBJECT: Adoption of a Resolution Authorizing the City Manager to Execute a Professional Services Agreements with HdL Companies for Commercial Cannabis Program Application Review Services

RECOMMENDATION

That the City Council approves the attached resolution (Attachment II) authorizing the City Manager to negotiate and execute a professional services agreement for Commercial Cannabis Program application review services in an amount not to exceed \$180,750.

SUMMARY

Due to the total number of Commercial Cannabis Permit applications the City received, staff had to complete a Request for Proposals to select firms to complete the work. Following the RFP process and an internal review by staff, the City recommends selecting HdL Companies to provide Commercial Cannabis Program application review services.

BACKGROUND

In the fall of 2017, the City Council adopted various ordinances establishing the City's regulatory structure for legal recreational and medicinal marijuana businesses following the passage of Proposition 64 in 2016. As a component of this, the City Council, at their December 5, 2017 meeting, adopted a Commercial Cannabis Permit request for proposal selection process for all parties interested in operating a commercial cannabis business within the City.

The first application period began on December 8, 2017 and concluded on January 12, 2018. The total number of proposals the City received by permit type is detailed in the table below:

PERMIT TYPES	APPLICATIONS
Cultivation	16
Delivery	9
Distribution	10
Manufacturing	9
Microbusiness (Type 12)	11
Retail	21
Testing Laboratory	1
Total	77

The proposal selection process includes utilizing a neutral third-party evaluation team to score each proposal. To help develop the review of cannabis businesses, the City engaged ICF, a firm with experience developing cannabis license applications, guidelines, and criteria for municipalities locally and in other states that have legalized medical and adult use cannabis. Their staff consists of individuals with expertise in regulation, cannabis, public health, finance, safety, security, environment, and community outreach. The original agreement was below the City Manager's signing authority of \$75,000 and included the review of up to 16 applications.

The total number of applications the City received surpasses the current agreement's application threshold as well as required completing a request for proposal process to select a firm. The City posted the RFP for these services on February 7, 2018 and received three proposals in total from: HdL Companies; ICF; and Michael Baker International. Following an internal review and score ranking exercise, staff determined that HdL Companies and ICF were the best fit for this project. Additionally, by enlisting two firms, the City could help cut the estimated time of application review in half.

DISCUSSION

The HdL Companies represent a conglomerate of governmental consulting services ranging from Sales Tax and Property Tax consulting to Cannabis consulting services. For the past three years, HdL has partnered with over 100 California agencies on cannabis-related cannabis consulting projects. Their experience includes ordinance review, merit-based application development/support, permitting processes, and regulatory/financial compliance reviews.

HdL brings unique experience in government cannabis regulatory and taxation policy at the state, county, and municipal level. The team who will be completing this work have extensive training and backgrounds in law enforcement, cannabis horticulture practices, manufacturing, dispensary management, land use issues, and regulatory compliance. A detailed scope of services can be found in Attachment III.

STRATEGIC INITIATIVES

This agenda item is a routine operational item and does not relate to one of the Council's Strategic Initiatives.

FISCAL IMPACT

The total cost of this contact will not exceed \$180,750 and will be funded entirely from the \$5,000 refundable deposit application fees paid by applicants.

NEXT STEPS

Following approval from City Council, staff will continue to work with HdL to facilitate the evaluation of Commercial Cannabis Applications. The review of the single testing laboratory proposal is already underway, per Council direction.

Prepared and Recommended by: John Stefanski, Management Analyst II

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', written in a cursive style.

Kelly McAdoo, City Manager