



# CC Regular Meeting AGENDA ITEM REPORT

**Meeting:** August 1, 2023  
**Title:** Public Hearing to Consider the Adoption of Various Fees Related to the Commercial Cannabis Permit Program  
**Presented by:** City Council Ad-Hoc Committee on Cannabis Topics

**Recommendation:** That the City Council:

1. Conduct a public hearing to receive testimony and comments regarding the proposed fees related to the Commercial Cannabis Permit Program; and
2. Upon concluding the public hearing, adopt Resolution CC 2023-79, adopting a fee schedule and establishing user fees pertaining to the Commercial Cannabis Permit Program

### EXECUTIVE SUMMARY:

On February 21, 2023, the City Council adopted Ordinance 23-01 related to the establishment of a Commercial Cannabis Permit Program. Since this time, the City has worked on the development of operating guidelines, a Request for Proposals document for potential permit applicants and a proposed fee schedule to administer the Commercial Cannabis Permit Program. Additionally, during this time, the City has successfully pursued two State Cannabis-related grant awards totaling \$675,000 – including one award to target impaired driving activity through the California Highway Patrol and another award to assist with local program implementation and oversight activities.

As proposed, the City Council will consider adopting various fees related to the Commercial Cannabis Business Program including application submittal, scoring, permit issuance, permit renewal and permit amendments.

### DISCUSSION:

Section 3.02 – Cost Recovery for Services – of the Covina Municipal Code provides that the City may set fees to recoup costs that are reasonably borne by the City to provide services. Additionally, Section 5.80 – Cannabis Business Permit – of the Covina Municipal Code identifies that permit applicants shall pay an application fee established by resolution of the City Council to cover all costs incurred by the City in the application process.

As such, City staff compiled a list of related activities and personnel that would be involved with administering the City’s Commercial Cannabis Permit Program. A list of fee categories and charges is included below and further detailed in Attachment A.

Category	Amount
Phase I/II Application Fee	\$ 7,518.75
Phase III Application Fee	\$ 3,237.50
Phase IV Application Fee	\$ 3,518.75
Cannabis Permit Issuance Fee	\$ 2,706.25
Cannabis Permit Renewal Fee	\$ 3,793.75
Cannabis Permit Amendment Fee	\$ 1,912.50
Late Fee	25% Additional Cost

Fee Comparison

For comparative purposes, City staff reviewed established cannabis permit fees in three (3) local communities. In comparing the City’s proposed fee schedule to these communities, it appears that the fees would fall into the lower range of permit fees for these services.

Type	Covina Proposed	Pomona	Bellflower	Pasadena
RFP – Phase I/II	\$7,518.75	\$5,329.63	\$28,500	\$13,654
RFP – Phase III/IV	\$6,756.25	\$6,699.44		
Permit Startup	\$2,706.25	\$1,816.51	<u>Annual Fees</u> \$6,357 (Review) \$30,229 (Administration) \$5,000 (Education Fee)  <i>Each fee increases annually by CPI</i>	<u>Annual Fees</u> \$10,639 \$ 189 (Health Education Fee)
Permit Renewal	\$3,793.75	\$4,016.52		
Permit Amendment	\$1,912.50	\$1,277.92		
Late Fee	25%	25% of Renewal Fee		

Pursuant to the City’s Municipal Code and Government Code Sections 6062(a) and 66016, a public hearing notice was published in the San Gabriel Valley Examiner on July 13, 2023 (Attachment B). Additionally, a copy of the cost analysis and proposed fees was mailed to interested parties fourteen (14) days in advance of this hearing and made available for review in City Hall at least ten (10) days prior to the public hearing before the City Council on this matter.

As proposed and per Government Code Sections 66016 and 66019, the proposed fees will be effective 60 days after adoption.

**FISCAL IMPACT:**

The proposed fees will offset the City’s cost to administer the Commercial Cannabis Permit Program. Related program revenues and expenditures will be determined according to applicant activity.

**CEQA (CALIFORNIA ENVIRONMENTAL QUALITY ACT):**

Not applicable.

Respectfully submitted,

**RESOLUTION CC 2023-79**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COVINA, CALIFORNIA, ADOPTING A FEE SCHEDULE AND ESTABLISHING USER FEES PERTAINING TO THE COMMERCIAL CANNABIS PERMIT PROGRAM**

**WHEREAS**, on February 21, 2023, the City Council adopted Ordinance 23-01 pertaining to the allowance of cannabis retailers and microbusinesses to conduct business in the City of Covina; and

**WHEREAS**, it is the intent of the City Council to recover costs incurred in administering the Commercial Cannabis Permit Program; and

**WHEREAS**, Section 5.80 of the Covina Municipal Code – Cannabis Business Permit, identifies that permit applicants shall pay an application fee established by resolution of the City Council to cover all costs incurred by the City in the application process; and

**WHEREAS**, Section 3.02 of the Covina Municipal Code – Cost Recovery for Services, provides that the City may set fees to recoup costs reasonably borne by the City by means of adopting a resolution of the City Council, after compliance with the requirements of state law; and

**WHEREAS**, the City completed a cost analysis for each proposed fee included in the Commercial Cannabis Permit Program Fee Schedule which is included in Exhibit “A” to this Resolution; and

**WHEREAS**, there are seven (7) fees proposed to recover costs incurred to administer the Commercial Cannabis Permit Program (“User Fees”); and

**WHEREAS**, the cost analyses were made available for review in City Hall at least ten (10) days prior to the Public Hearing before the City Council on this Resolution; and

**WHEREAS**, the City has provided notice of the Public Hearing pursuant to Covina Municipal Code Section 3.02 and Government Code Sections 6062(a) and 66016; and

**WHEREAS**, the establishment of User Fees is not a project pursuant to Section 15783(b)(4) of the California Environmental Quality Act (“CEQA”) Guidelines as this resolution establishes a government funding mechanism to process Commercial Cannabis Permit Program applications and does not involve any commitment to a specific project. In addition, the establishment of User Fees is statutorily exempt from the requirements of CEQA pursuant to CEQA Guidelines Section 15273 because setting User Fees fits within the statutory exemptions for local agency decisions involving rates, tolls or other charges that are established for the purpose of meeting operating expenses.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COVINA, CALIFORNIA, DOES HEREBY RESOLVE AS FOLLOWS:**

**SECTION 1.** The Covina City Council hereby finds, determines and declares that, based on cost analyses included in Exhibit “A” to this Resolution, the User Fees are justified.

**SECTION 2.** That, as shown in Exhibit “A” to this Resolution, the City shall charge the following fees related to the Commercial Cannabis Permit Program:

<b>Category</b>	<b>Amount</b>
Phase I/II Application Fee	\$ 7,518.75
Phase III Application Fee	\$ 3,237.50
Phase IV Application Fee	\$ 3,518.75
Cannabis Permit Issuance Fee	\$ 2,706.25
Cannabis Permit Renewal Fee	\$ 3,793.75
Cannabis Permit Amendment Fee	\$ 1,912.50
Late Fee	25% Additional Cost on Any Above Fee

**SECTION 3.** The fee for an Appeal pertaining to the Commercial Cannabis Permit Program shall be the same as the existing City Council Appeal Fee.

**SECTION 4.** Effective Date. This Resolution shall take effect upon its adoption; provided, however, that the User Fees established hereunder shall first be imposed and collected sixty (60) days from the date of adoption of this Resolution.

**SECTION 5.** The City Clerk shall attest and certify to the passage and adoption of this Resolution.

**APPROVED** and **PASSED** this 1<sup>st</sup> day of August, 2023.

City of Covina, California

BY: \_\_\_\_\_  
WALTER ALLEN, III, Mayor

ATTEST:

\_\_\_\_\_  
FABIAN VELEZ, Chief Deputy City Clerk

**CERTIFICATION**

I, Fabian Velez, Chief Deputy City Clerk of the City of Covina, do hereby certify that Resolution CC 2023-79 was duly adopted by the City Council of the City of Covina at a regular meeting held on the 1<sup>st</sup> day of August, 2023, by the following vote:

AYES:           COUNCIL MEMBERS:  
NOES:           COUNCIL MEMBERS:  
ABSTAIN:       COUNCIL MEMBERS:  
ABSENT:        COUNCIL MEMBERS:

Dated:

\_\_\_\_\_  
FABIAN VELEZ, Chief Deputy City Clerk

**CITY OF COVINA**  
**COMMERCIAL CANNABIS PERMIT APPLICATION**  
 Effective - September xx, 2023

**Phases I/II - Zoning Verification, Application Intake/Review/Background Check, Scoring**

Type	Rate/Hour	Cost
<b>Zoning Verification</b>		
Director of Community Development - 3 hours	\$ 130	\$ 390.00
<b>Application Intake, Review and Scoring</b>		
Contract Evaluator - 12 hours/application	\$ 250	\$ 3,000.00
Director of Community Development - 4 hours/application	\$ 130	\$ 520.00
Chief of Police - 2 hour/application	\$ 170	\$ 340.00
Police Department Planner - 5 hours/application	\$ 75	\$ 375.00
Deputy City Manager - 2 hour/application	\$ 130	\$ 260.00
City Attorney - 2 hour/application	\$ 250	\$ 500.00
<b>Background Check - Cost Per Person (All owners must complete)</b>		
3rd Party Background Reviewer		\$ 300.00
Police Captain - 1 hour/application	\$ 160	\$ 160.00
Police Department Planner - 2 hours/application	\$ 85	\$ 170.00
<b>Subtotal</b>		\$ 6,015.00
Overhead (25%)		\$ 1,503.75
<b>Total</b>		<b>\$ 7,518.75</b>

**Phase III - Public Presentation**

Type	Rate/Hour	Cost
Director of Community Development - 2 hours	\$ 130	\$ 260.00
Contract Evaluator - 3 hours	\$ 250	\$ 750.00
Management Analyst - 3 hours	\$ 75	\$ 225.00
Deputy City Manager - 2 hours	\$ 130	\$ 260.00
Chief of Police - 2 hours	\$ 170	\$ 340.00
Police Department Planner - 3 hours	\$ 85	\$ 255.00
City Attorney - 2 hours	\$ 250	\$ 500.00
<b>Subtotal</b>		\$ 2,590.00
Overhead (25%)		\$ 647.50
<b>Total</b>		<b>\$ 3,237.50</b>

**Phase IV - Final Review/Scoring**

Type	Rate/Hour	Cost
Director of Community Development - 2 hours/application	\$ 130	\$ 260.00
Contract Evaluator - 3 hours/application	\$ 250	\$ 750.00
Management Analyst - 2 hours/application	\$ 75	\$ 150.00
Deputy City Manager - 2 hours/application	\$ 130	\$ 260.00
Chief of Police - 2 hours/application	\$ 170	\$ 340.00
Police Department Planner - 3 hours/application	\$ 85	\$ 255.00
City Attorney - 2 hours/application	\$ 250	\$ 500.00
City Manager - 2 hours/application	\$ 150	\$ 300.00
<b>Subtotal</b>		\$ 2,815.00
Overhead (25%)		\$ 703.75
<b>Total</b>		<b>\$ 3,518.75</b>

**Permit Issuance**

Type	Rate/Hour	Cost
<b>Permit Setup</b>		
Management Analyst - 2 hours	\$ 75	\$ 150.00
Director of Community Development - 2 hours	\$ 130	\$ 260.00
Planner - 10 hours	\$ 75	\$ 750.00
Code Enforcement Officer - 10 hours	\$ 75	\$ 750.00
Police Department Planner - 3 hours	\$ 85	\$ 255.00
<b>Subtotal</b>		\$ 2,165.00
Overhead (25%)		\$ 541.25
<b>Total</b>		<b>\$ 2,706.25</b>

Business Permit Renewal		
Type	Rate/Hour	Cost
<b>Permit Renewal</b>		
Management Analyst - 2 hours	\$ 75	\$ 150.00
Director of Community Development - 2 hours	\$ 130	\$ 260.00
Planner - 10 hours	\$ 75	\$ 750.00
Code Enforcement Officer - 10 hours	\$ 75	\$ 750.00
Police Department Planner - 3 hours	\$ 75	\$ 225.00
Chief of Police - 2 hours	\$ 170	\$ 340.00
Deputy City Manager - 2 hours	\$ 130	\$ 260.00
City Manager - 2 hours	\$ 150	\$ 300.00
<b>Subtotal</b>		\$ 3,035.00
Overhead (25%)		\$ 758.75
<b>Total</b>		<b>\$ 3,793.75</b>

Business Permit Amendment		
Type	Rate/Hour	Cost
<b>Permit Amendment - Intake and Review</b>		
Management Analyst - 2 hours	\$ 75	\$ 150.00
Director of Community Development - 2 hours	\$ 130	\$ 260.00
Planner - 4 hours	\$ 75	\$ 150.00
Chief of Police - 2 hours	\$ 170	\$ 340.00
<b>Background Check - Amendment/New Owner</b>		
3rd Party Background Reviewer		\$ 300.00
Police Captain - 1 hour	\$ 160	\$ 160.00
Police Department Planner - 2 hours	\$ 85	\$ 170.00
<b>Subtotal</b>		\$ 1,530.00
Overhead (25%)		\$ 382.50
<b>Total</b>		<b>\$ 1,912.50</b>

Late Fee (May Apply to Any Cannabis-Related Fee)		
Type		Cost
25% of Listed Fee		<b>25% Additional Cost</b>