

# Memorandum

To: Ms. Elizabeth Hause, Assistant to the City Manager, City of Redondo Beach  
Mr. Mike Webb, City Attorney, City of Redondo Beach  
From: Mr. John Yonai, Mr. Jason Chiang, Ms. Jane McFarren, & Mr. Rob Hoffman, Tierra West Advisors  
Date: April 18, 2024

## **RE: Objective 2 – Application Process Review & Objective 3 – Cost Recovery Fee Analysis Status Update**

Ms. Hause and Mr. Webb:

Tierra West Advisors (“Tierra West”) would like to provide Redondo Beach City Staff and its esteemed City Council with a Status Update on Objective 2 – Application Process Review and Objective 3 – Cost Recovery Fee Analysis. These Scope of Service work products are being managed concurrently by the Consultant Team, and below is a comprehensive Status Update on the progress that has been made on each item to-date.

### **Objective 2 – Application Process Review**

The consultant team has reviewed the City’s existing draft application process, in parallel with our edits and redlines to the cannabis regulatory ordinance to include industry best practices.

- **Site Selection Requirement:** The consultant team strongly recommends that the City include a Site Selection requirement as part of the application process and guidelines. A site selection requirement typically produces higher quality proposals with more serious applicants that result in a reduced volume of subpar applications (requiring additional City resources to process/review). A viable location is a critical criteria to weigh in the applicant ranking process, and an applicants’ Site Plan and Security Plans must tie to an actual feasible Site to be meaningful to the review process. For all these stated reasons, a Site Selection Requirement is highly recommended.

---

- **Draft Application Procedures, Guidelines, and Review Criteria Document**

- Tierra West recommends a 45-to-60-day Application Period; 30 days has typically resulted in rushed applications that are not thoughtfully planned
- Provide applicants with a Submittal Checklist to clarify all required application items
- Mandate that all application packets be organized in the same order as the checklist, using the Submittal Checklist as a Cover Page
- Clearly state that any application that is missing any of the required components will be disqualified, and the applicant will be notified within one (1) business day of determination so that the applicant can attempt to cure the application before the submittal deadline
- Include a Local Hiring element
- Include disclosure of any prior criminal convictions of any owners, officers, or managers
- Include proof of liability insurance compliance
- Include Labor Peace Agreement element for applicants with over X employees
- Include Proof of Application Fee payment (i.e. City Clerk receipt) with application submittal
- Generate a specific [cannabis@redondo.org](mailto:cannabis@redondo.org) email account to facilitate and archive all cannabis correspondence
- Include “Proof of Funds” to application package requirements; financial statement or proof that applicant has \$1MM (or other agreed-upon amount) in readily-available funds.
- Page limit: 125 pages limit is excessive and will increase the City’s review/processing resources without adding meaningful substance. Tierra West recommends a 50-75 page limit for commercial cannabis applications (not including forms etc.)
- Revise the guidelines so that the final selected applicants must apply for and receive all necessary land use permits and other required approvals within 12-18 months, rather than 24 months
- **Overhaul the Draft Proposed Application Phases 1-4 & Scoring System**
  - This section is in the process of being completely overhauled by the consultant team
  - There is currently no rubric or guidance to implement the draft scoring system; the scoring system total points are not internally consistent and do not reconcile to the correct amount of points

- 
- Consultant team proposes to limit the amount of separate Phases in the application process; goal is for a more concise application process and less liability for City
  - Revised rating criteria and point system
    - Establish clear scoring rubric for easy and consistent application by review panel; apply fewer total points in Evaluation Criteria so that points are more meaningful, objective, and less subjective (limit applicant appeals and City's overall liability)
      - Qualifications of Ownership/Operators
      - Business Plan & Financial Investment
      - Operations Plan
      - Safety/Security Plan
      - Labor/Employment/Local Sourcing Plan
    - Sample five (5) point Evaluation Criteria scoring rubric:
      - 0 = no content provided
      - 1 = limited or below minimum information provided
      - 2 = minimum information provided
      - 3 = all information provided and offers additional benefits
      - 4 = all information provided with additional benefits and quality standards
      - 5 = information exceeds request and offers highest quality standards
    - Recommendation to implement a scoring scale of two hundred (200) total points for each application; with five (5) total reviewers, resulting in a Total Score of one thousand (1000) points per application
    - This rubric has been successful and clear in previous municipalities the consultant team has implemented commercial cannabis applications
  - **Draft Application Form**
    - Need to ensure that this form can be filled out ELECTRONICALLY (via Adobe Acrobat or digital form)
      - Hand-written responses in the small spaces provided will be very difficult to archive and opens the application facilitator to illegible content and

---

- **Miscellaneous Items**

- Applicants to submit 3 to 5 hard copies of application + USB Drive with digital files
- Background checks to be performed by City Police Department for all owners on application, regardless of % of ownership
- City Planning/Zoning Verification required with application submittal
- Create Parcel List of all state-certified schools, daycare, etc.

### **Objective 3 – Cost Recovery Fee Analysis**

The consultant team is in the process of producing a detailed fiscal analysis to recommend commercial cannabis application and permitting fees to the City of Redondo Beach. The Cost Recovery Fee Analysis will ensure that all costs incurred during the processing, review, and implementation of the commercial cannabis application process are recouped.

City Staff has recently provided the consultant team with the fully loaded rates for each of the following positions:

#### City Manager’s Office

- City Manager
- Assistant to the City Manager

#### Finance Department

- Director
- Admin Analyst

#### City Clerk’s Office

- City Clerk
- Deputy City Clerk
- Analyst

#### Police Department

- Police Chief
- Police Captain
- Lieutenant
- Sergeant

#### City Treasurers Office

- City Treasurer

#### City Attorney’s Office

- City Attorney

#### Community Development Department

- Director of Community Development
- Planning Manager
- Planning Analyst

#### Fire Department

- Fire Chief
- Fire Captain
- Engineer

Upon completion, the Cost Recovery Fee Analysis will anticipate and establish fees in conjunctions with the City’s oversight and implementation of its commercial cannabis program. The consultant team’s objective is to determine costs, develop fee methodology, document city processes associated with commercial cannabis implementation and oversight, and develop appropriate fees to support this endeavor and its associated activities.

---

- **Fee Methodology Overview**

- Identify all direct staff time spent on the commercial cannabis program
- Collect requested data from City Staff
- Estimate how much time the cannabis staff spend, on average, working on each fee service
- Estimate total time processing applications, interfacing with applicants/permittees, and implementing administrative policies related to the commercial cannabis program
- Estimate direct cost of staff & consultant time for each fee using productive hourly rates (fully loaded)
- Determine other operational costs (i.e. other than personnel costs)
- Determine indirect or overhead costs
  - Departmental
  - Citywide

- **General Fee Study Recommendations**

- The City's commercial cannabis permit program is brand new and therefore staff has not been able to perform time studies, nor is there any historical data to draw from. For this reason, the consultant team recommends that the City reanalyze the fees in approximately three (3) years' time. Once the commitment is made to understand the full cost of providing services, it is important to review and update the analysis in order to keep pace with changes in service delivery, staffing changes, and actual demand levels
- The Fee Study analysis should be analyzed at least every three but not more than five years, with minor adjustments in the non-study years to keep pace with economic impacts
- The consultant team recommends the City apply an inflation adjustment to fees annually, based on the most recent CPI for the Los Angeles area to keep pace with inflation
- The current industry best practice is to apply this index once per year as part of the City's annual budget process

### Next Steps

The consultant team will be meeting with City Staff to iteratively discuss, revise, and finalize all work products in anticipation of presentation to City Council during a May 2024 meeting.