



Administrative Report

H.18., File # 22-4375

Meeting Date: 6/21/2022

To: MAYOR AND CITY COUNCIL

From: BRANDY FORBES, COMMUNITY DEVELOPMENT DIRECTOR

TITLE

APPROVE AN AGREEMENT WITH HINDERLITER, DE LLAMAS, AND ASSOCIATES, DBA HDL COMPANIES FOR CONSULTING SERVICES TO ASSIST WITH THE CITY'S PREPARATION OF A CANNABIS ORDINANCE, TAX MEASURE, AND PERMIT SELECTION PROCESS FOR AN AMOUNT NOT TO EXCEED \$37,250 FOR THE TERM JUNE 21, 2022 THROUGH JUNE 30, 2023

EXECUTIVE SUMMARY

The City of Redondo Beach has prepared a draft ordinance regulating commercial cannabis. Per City Council direction, the Planning Commission reviewed the draft cannabis ordinance at a public hearing held on March 3, 2022. The Planning Commission provided several recommendations at the hearing including that the City engage a consultant with experience evaluating the cannabis industry to help review the City's ordinance.

On May 10, 2022 the City Council considered the Planning Commission recommendations and provided direction to staff on the final preparation of ordinances. The Council as part of that direction asked staff to prepare an agreement with HdL Companies to review the City's draft cannabis regulatory ordinance and provide any suggestions for improvement, develop a draft cannabis tax ordinance for City Council consideration, assist in the establishment of an application process for future cannabis permits, and provide support at public meetings as subject matter experts.

Staff has conducted research on HdL's history and background and determined that their expertise in municipal cannabis policy has been well-received by other local agencies that have used their services. The City currently has a contract with its sister company, HdL Coren & Cone, to provide property and sales tax advice.

BACKGROUND

California's history of cannabis law spans nearly 25 years. The Medical Marijuana Regulation and Safety Act became effective January 2016. In response, Redondo Beach adopted an ordinance for local regulations regarding medical marijuana. Proposition 64 regarding the Adult Use of Marijuana Act was approved in November 2016. Redondo Beach adopted Ordinances to regulate the personal use and cultivation of cannabis, as well as restrict commercial cannabis activities in the City. This was an interim measure to prohibit cannabis businesses until the City could better evaluate what types of businesses and what regulations to put in place.

In 2018 Council developed a Strategic Planning Objective that made way for a Cannabis Steering

Committee to evaluate best practices, research potential regulations and report back to the City Council. The Cannabis Steering Committee diligently reviewed options and concluded with recommendations to City Council at the October 5, 2021 meeting that prioritize public health and safety, consider a wealth of challenges experienced by other jurisdictions, and mitigate/limit potential liabilities against the City implementing a local ordinance. The Steering Committee found that the most responsible approach to local regulations address the immediate concerns and needs of the community, allow the greatest flexibility and local control in regulating, and are only expanded after success in the initial implementation.

City Council considered the Steering Committee recommendations at their October 5, 2021 meeting and directed staff to prepare ordinances in line with those recommendations. At the January 18, 2021 meeting, Council finalized the parameters to be evaluated and established the buffers to be included in the ordinance.

Staff prepared the ordinances and presented those at a public hearing of the Planning Commission on March 3, 2022. The Planning Commission made recommendations, which City Council reviewed and considered at the May 5, 2022 meeting.

After considering the Cannabis Steering Committee background, City Council direction, and the ordinances themselves, the Planning Commission did provide several recommendations in their resolution. One of the Planning Commission recommendations was to, "Consider engaging a thoroughly vetted and referenced consultant with experience evaluating the cannabis industry to evaluate the ordinance in its entirety."

The agreement includes services for the City to move forward quickly in finalizing the cannabis ordinances and preparing a cannabis tax ordinance. Staff discussed various services with HdL, including:

- Review of cannabis ordinances
- Preparation of tax ordinance/initiative
- Comparatively analyze ordinances and the separate initiative
- Develop solicitation and selection procedures
- Incorporate cost recovery in process to fund the potential services

At the May 10, 2022 meeting, City Council provided direction to engage HdL on their proposed scope of work to include the following:

- Objective 1: Review the City's Draft Cannabis Regulatory Ordinance
- Objective 2: Develop Draft Cannabis Tax Ordinance
- Objective 3: Application Process Development
- Objective 4: Cost Recovery Fee Analysis
- Objective 5: Attendance, Support or Presentations at Meetings or Workshops
- Objective 6: Technical Assistance and Subject Matter Expertise

At the request of City Council, staff has conducted extensive research on HdL's history and background and determined that their expertise on the subject matter has been well-received by

other municipalities for similar services (see attached proposal and letter). HdL has worked with over 175 cities and counties on cannabis policies and revenue strategies. In the last seven years alone, HdL has prepared or assisted in the development of 84 out of the 121 cannabis measures in California. They are also currently working on cannabis tax measures for four (4) counties and seven (7) cities including Los Angeles County and the City of El Segundo. HdL works solely with public agencies and has no private sector clients in the cannabis industry.

COORDINATION

The contract amendment has been coordinated with the City Attorney's Office and the City Manager's Office.

FISCAL IMPACT

Funding for the cost of the additional services is initially available in the annual operating budget for Community Development contracts and professional services. It is anticipated that a majority of the expenses will be reimbursed through future cannabis permit processing fees.

APPROVED BY:

Mike Witzansky, City Manager

ATTACHMENTS

Agreement HdL Cannabis Management
Proposal HdL Cannabis Management Services
Letter from HdL Regarding Fairfield Contract