

**DEPARTMENT OF
CANNABIS REGULATION**

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Date: November 9, 2018

Council District: All
Council File No. 14-0366-S5

To: Honorable Members of the Rules, Elections, and Intergovernmental Relations Committee

From: Cat Packer
Executive Director, Department of Cannabis Regulation

Subject: **SUPPLEMENTAL CANNABIS BUSINESS FEES**

RECOMMENDATION

That the Council, subject to the approval of the Mayor, request the City Attorney, with the assistance of the Department of Cannabis Regulation (DCR), to prepare and present an ordinance establishing the cannabis business fees described in this report.

SUMMARY

On October 19, 2018, the Chair of the Rules, Elections, and Intergovernmental Relations Committee requested a report back on supplemental cannabis business fees including, but not limited to, an annual renewal fee and an ownership application fee. Our Department recommends establishing several new cannabis business fees to recover the costs associated with providing special services to cannabis businesses seeking licensure, renewing licensure, or modifying existing licensure. Our Department developed the recommended fees utilizing a cost-based analytical approach to calculate the full cost of providing special services to cannabis businesses. This approach follows best management practices to ensure fees are fair, equitable, and represent the estimated and reasonable costs of services, as required by the Government Code. The methodology employed was a "bottom up" approach to cost analysis, where time spent per unit of fee activity is determined for each position within the DCR and associated departments. The times are totaled and then used in calculating all applicable City costs, which include: direct salaries and benefits, operating services and supplies, department and divisional overhead, and citywide overhead costs.

FEES

Adoption of the following fees will support the Department of Cannabis Regulation on an on-going basis by recovering the costs associated with providing special services to cannabis businesses seeking licensure, renewing licensure, or modifying existing licensure. The recommendations included in this report are consistent with the City's Financial Policies as on-going expenditures will be fully supported by on-going revenues.

Fee Name	Fee Amount
Cannabis Business Annual License Renewal Fee	\$ 4,030
Cannabis Business Technical Assistance Fee	19,866
Cannabis Business PCN Application Fee*	1,499
Social Equity Status Review and Determination Fee**	1,249
Cannabis Business Simple Ownership Change/Business Modification Fee	2,015
Cannabis Business Ownership Change/Business Modification Fee	4,030
Cannabis Business Complex Ownership Change/Business Modification Fee	8,059

*This fee covers the cost of processing Public Convenience or Necessity (PCN) applications. If an Applicant is seeking licensure for a commercial cannabis activity subject to Undue Concentration and the Applicant's Business Premises is located in a geographical area of Undue Concentration, then the Applicant shall also file with the City Clerk, on a form provided by DCR, a request that the City Council find that approval of the License application would serve public convenience or necessity, supported by evidence in the record.

**Fees collected may be credited toward the cost of cannabis business application fees.