



Agenda Report

MEETING DATE: Tuesday, February 9, 2021

TO: City Council

FROM: Suzi Merriam, Community Development Director

SUBJECT: Second Amendment to Contract with De Llamas & Associates

STATEMENT OF ISSUES:

Clarification and approval of existing contract amount for consultant services with HDL for an amount not to exceed \$173,000.

RECOMMENDED ACTION:

A RESOLUTION APPROVING SECOND AMENDMENT TO CONSULTANT SERVICES CONTRACT BETWEEN THE CITY OF WATSONVILLE AND HINDERLITER, DE LLAMAS & ASSOCIATES, INCREASING THE CONTRACT AMOUNT BY \$45,000, FOR A TOTAL CONTRACT AMOUNT NOT TO EXCEED \$173,000, FOR ASSISTANCE IN PROCESSING AND PERMITTING CANNABIS APPLICATIONS; AUTHORIZING AND DIRECTING THE CITY MANAGER TO EXECUTE SAME; AND AUTHORIZING A BUDGET APPROPRIATION OF \$45,000 FROM THE PLANNING PERMITS REVENUE ACCOUNT TO THE OTHER CONTRACT SERVICES EXPENSE ACCOUNT [Rescinds Resolution No. 187-20 (CM)]

BACKGROUND:

On June 10, 2019, the City approved a \$90,000 contract with HDL to provide consultant services for a cannabis compliance monitoring program including annual review of permits.

On August 31, 2020, the City approved a first amendment to the 2019 contract by increasing the amount by \$38,000, increasing the scope of work and extending the term. The increased scope was for assistance with the cannabis compliance program and review of permit applications for cannabis businesses in the City.

On October 27, 2020, the Council approved a second amendment to the 2019 HDL contract by changing the not to exceed amount to \$83,000, but which only included the cost for assistance with cannabis applications. The \$83,000 inadvertently did not include the original \$90,000 for compliance monitoring.

This proposed Second Amendment rescinds Resolution 187-20 (CM) and trues up the 2019 HDL contract to \$173,000 which correctly includes both compliance monitoring and application processing.

DISCUSSION:

Cannabis permit fees have been set to cover the expense of HDL's assistance with the application process. The table below identifies the cannabis application fees:

CANNABIS FACILITIES FEES

	Fee
Cannabis Pre-Application	\$4,200.00
Cannabis Interview	\$3,700.00
Cannabis Special Use Permit	\$3,738.00
Cannabis Special Use Permit (new construction)	\$5,518.00
Cannabis Administrative Use Permit	\$1,508.00
Cannabis Annual Review Fee	\$3,700.00
Cannabis Annual Review Fee (additional premise/parcel)	\$1,508.00
Issuance and Annual Renewal of Cannabis Identification Badge	\$104.00

HDL's proposed cost for cannabis application processing services is listed below:

Scope of Service Objectives	Estimated Cost
Objective 1: Develop Application Forms and Procedures	\$1,000
Objective 2: Application Reviews and Merit-Based Ranking¹	\$2,500 per application
Objective 3: Applicant Interviews¹	\$500 per applicant
Objective 4: Preparation of Final Report	\$2,000
Objective 5: Supplemental Background Checks Cost paid directly by applicants	No cost to the City
Objective 6: Subject Matter Expertise & Technical Assistance	\$5,000
Estimate of total costs	
Forms and procedures (flat rate)	\$1,000
Application reviews (assumes 25 applications ² at \$2,500 each)	\$62,500
Applicant interviews (assumes 25 interviews ² at \$500 each)	\$12,500
Prepare final report (flat rate)	\$2,000
Background checks (cost paid directly by applicants)	No cost to City
Technical assistance (assumes 20 hours at \$250 per hour)	\$5,000
TOTAL NOT TO EXCEED	\$83,000
¹ Costs may be directly recoverable from each applicant. All other costs would be apportioned among the number of applicants. ² The number of applications and interviews are for purposes of providing a not-to-exceed figure and are not intended as a projection for the actual number of applications the City will receive.	

As shown in both tables, the pre-application fee is \$4,200 and HDL's review of the pre-applications is \$2,500. The remainder of the permit fee goes to the City to cover staff time for processing applications. Similarly, the interview fee is \$3,700, with \$500 going to HDL per interview. The interview fee covers staff time to attend the interview as well, which includes representatives from the Community Development, Finance, Police, City Manager and Fire Departments.

In summary, the second amendment to the 2019 contract accurately accounts for the cost for HDL to participate fully in the cannabis application and permitting process and not be limited to processing 10 applications and attending 10 interviews. The \$173,000 will include annual compliance monitoring of existing businesses and review of this current round of cannabis applications.

STRATEGIC PLAN:

04-Economic Development

The approval of this second amendment to the 2019 contract supports Goal 4 (Economic Development) of the 2018-2020 Strategic Plan by assisting City staff in the processing of cannabis applications, which will service to increase the cannabis business sector in the City of Watsonville.

FINANCIAL IMPACT:

There will be no financial impact to the City for approval of the contract amendment in an amount not to exceed \$173,000, as the cost for services will be paid from receipts from cannabis permit fees.

ALTERNATIVE ACTION:

The Council may vote to not approve this third amendment; however, this would result in a reduced capacity of the City to process cannabis applications in a timely manner.

ATTACHMENTS AND/OR REFERENCES (If any):

None.

CITY COUNCIL ACTION RECOMMENDED:

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE APPROVING SECOND AMENDMENT TO CONSULTANT SERVICES CONTRACT BETWEEN THE CITY OF WATSONVILLE AND HINDERLITER, DE LLAMAS & ASSOCIATES, INCREASING THE CONTRACT AMOUNT BY \$45,000, FOR A TOTAL CONTRACT AMOUNT OF NOT TO EXCEED \$173,000, FOR ASSISTANCE IN PROCESSING AND PERMITTING CANNABIS APPLICATIONS; AUTHORIZING AND DIRECTING THE CITY MANAGER TO EXECUTE SAME; AND AUTHORIZING A BUDGET APPROPRIATION OF \$45,000 FROM THE PLANNING PERMITS REVENUE ACCOUNT TO THE OTHER CONTRACT SERVICES EXPENSE ACCOUNT [Rescinds Resolution No. 187-20 (CM)]