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## **Re: Cannabis Business Application Services**

The City of Visalia has engaged the services of HdL Companies to assist with the development of a cannabis tax ordinance and associated regulatory program for the City, along with analysis and general subject matter expertise. The City is now currently requesting that HdL further assist the City with preparation of a cost recovery fee analysis and the development and implementation of a process to review all permit application documents to ensure they are complete and include all required information.

HdL provides services related to the business application process only on a case-by-case basis. Our involvement is strictly limited to non-competitive, quality assurance only processes where all applicants deemed complete will either be allowed to move forward to the permitting process or will be entered into a lottery in cases where there are more applications than available licenses. Our involvement also requires that the City agree to indemnify HdL against any and all claims arising from the City's use of the products and services provided by HdL.

We have provided our service descriptions below for the City's consideration, along with the estimated costs. Were the City wishing to move forward with any of these services, HdL would develop a formal proposal with more detailed cost estimates and a not-to-exceed figure based on discussions with the City at that time. Please understand that HdL will not vary from the services as described, nor from the indemnification requirement. Please let us know if you would like for HdL to provide a formal proposal for these services or if you have any questions.

### **Cost Recovery Fee Analysis**

HdL will conduct a fiscal analysis to determine appropriate application and permitting fees. The analysis shall consider the costs of all City staff time, overhead, fringe benefits, consultants and any other services associated with each step of the cannabis permitting and regulatory process, including both initial application processing and annual permit renewals. HdL staff has experience developing cannabis regulatory fees and doing a "fit gap" analysis of staff responsibilities and time allotted to this program to establish appropriate fees for the City's level of oversight and enforcement of the regulatory process.

### **Develop Permit Documentation Review Process**

HdL shall design a process to review all cannabis business license documentation to ensure that each applicant has provided all necessary forms and documents and that they are complete and include all required information. This quality assurance process shall be designed to confirm that

applicants have addressed all requirements before being allowed to move forward to the final selection and/or permitting process. Applicants will be notified of any missing information or documentation and will be given an opportunity to cure any deficiencies. License applications that are determined to be complete will be forwarded to the City for consideration. Our process can be designed to accommodate a variety of final selection methods:

- First come / first served: Documents for each business license applicant will be reviewed in the order they are received. All license applications determined to be complete will be allowed to move forward to the permitting process, until the maximum number of permits available has been reached.
- Lottery: All license applications determined to be complete will be entered into a drawing conducted by the City from which applications will be selected at random, consistent with the number of permits available. Those applications selected will be allowed to move forward to the permitting process.

HdL shall provide all necessary application forms, as well as procedures, guidelines, indemnification forms, background information releases, and other required documents and shall ensure that all information desired by the City is incorporated into the cannabis business application form and procedures. HdL can also provide an online portal for applicants to submit all license application materials, upon request.

### **Application Submittal Portal**

HdL will design and host an online portal for cannabis businesses to submit permit applications. If requested, the portal will facilitate collection of application fee payments, to recover the cost borne by the City in administering the application process. In addition to hosting the online portal, HdL will provide ongoing technical support to cannabis applicants seeking to access and/or submit materials through the portal. Once the opportunity for submitting applications has closed, the City will be provided online access to the submitted materials for purposes of reviewing the applications for completeness.

### **Review Permit Documentation**

HdL staff shall screen all forms and documents submitted by applicants for cannabis business permits to ensure that they are complete based upon an objective checklist of required documentation. Once all required documents have been provided, HdL shall conduct a full review to ensure that they provide all required information and address all criteria established by the City. HdL's reviewers shall evaluate whether the forms and documents provide all information necessary to meet the City's requirements in each category. Applicants will be notified of any missing documents or information and will be given an opportunity to submit any missing information. Reviews shall be in conformance with the objective criteria established by the City's regulatory ordinance and application procedures guidelines.

Each application evaluation shall be completed within 60 days of the City receiving the full application, assuming reasonable cooperation by the applicant. HdL will provide the City with a

report for each application stating whether or not it meets all requirements and identifying any deficiencies or missing information that were not subsequently addressed by the applicant. The report may also include comments, observations or recommendations where warranted. The report will not include any numerical score nor will it provide any specific recommendation as to whether or not the business should be issued a license. Any such determination shall be solely at the discretion of the City.

The cost for this service may vary depending upon the specifics of the City's application process. Any change in cost shall be mutually agreed upon in consultation with the City prior to performance of the service. HdL's participation in any application process shall require that the City agree to indemnify HdL from and against any and all claims resulting or arising from City's use of the work products provided under the agreement. We have provided our preferred indemnification language below:

*City shall indemnify, hold harmless, and defend Consultant (including its officers, agents and employees) from and against any and all claims (including all litigation, demands, damages, liabilities, costs, and expenses, and including court costs and attorney's fees) resulting or arising from City's use of the work products provided by Consultant under this Agreement.*

Services	Estimated Cost
<b>Cost Recovery Fee Analysis</b> Assumes up to 40 hours at \$300/hr (billed at hourly rate)	\$12,000 <sup>1</sup>
<b>Application Process Development</b> Assumes between 30 and 40 hours at \$300/hr; est. \$9,000 - \$12,000	Hourly Rate
<b>Application Submittal Portal</b> Initial setup cost and technical support will be billed at hourly rate	\$100 per application
<b>Review Permit Documentation</b>	\$3,500 per application
<b>TOTAL NOT TO EXCEED</b>	TBD
<sup>1</sup> Objective billed at hourly rate <sup>2</sup> Or at a flat rate to be determined in consultation with the City All City costs may be fully recoverable from applicants or permittees	