



Staff Memo

Report To: South Huron Council
From: **Dan Best, Chief Administrative Officer/Deputy Clerk**
Date: January 7 2019
Report: CAO 3-2019
Subject: Cannabis Legalization

Recommendations:

That the memo of D. Best, Chief Administrative Officer regarding cannabis legalization be received; and

That Council authorizes recreational cannabis retail stores to be located in the Municipality of South Huron

Purpose:

Decision

Background and Analysis:

Further to CAO Report 20-2018, Under Ontario's recreational cannabis policy, private cannabis retail stores will be approved to sell as of April 1, 2019 where municipal governments allow them.

Municipal governments that do not wish to allow cannabis retail stores can do so by informing the AGCO in writing by January 22, 2019 of Council's decision.

Municipalities can opt in or out of cannabis sales in their community. The deadline to opt out is January 22, 2019. The following are two key elements for Council's consideration:

- If municipalities opt out by January 22nd, they can opt in at a later, yet to be set date
- If municipalities opt in, they cannot opt out at a later date
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It should be noted that the decision not to allow retail stores or the decision is to opt out and opt back in after Jan. 22 will affect access to the municipal portion of the Province's share of the federal share of its cannabis excise tax.

No matter the municipal decision, consumers will continue to have access to cannabis through on-line sales, personal growing and through retail in other communities.

On December 13th, further information was provided regarding retail cannabis sales which are outlined more specifically below:

- The regulations for licensed private sector retailers changed allowing only 25 (twenty-five) retailers in all of Ontario at this time due to supply shortages and that locations would be restricted to those municipalities of a population greater than 50,000.
- Within our Western Region retail stores authorizations will be limited to 7 (seven) retailers.
- Through the Ontario Cannabis Legalization Implementation Fund (OCLIF), the Municipality of South Huron will receive a first payment in the amount of \$6049.

Ontario Cannabis Legalization Implementation Fund (OCLIF)

1. First Payment of Funds

For the first payment in January, the Province will distribute \$15 million of the Fund between all municipalities based on the following:

- 2018 MPAC Household numbers
- 50/50 split in household numbers between lower- and upper-tier municipalities
- Adjustments to provide at least \$5,000 to each municipality

Municipalities will receive a first payment in the amount set out in the attached allocation notice.

2. Second Payment of Funds

For the second payment, the Province will distribute \$15 million of the Fund between all municipalities based on the following:

- If a municipality has not opted-out of hosting private retail stores in accordance with Cannabis Licence Act, it will receive funding based on the 2018 MPAC household numbers, adjusted so that at least \$5,000 is provided to each municipality.
- If a municipality has opted-out of hosting private retail stores in accordance with the Cannabis Licence Act, it will receive a maximum amount of \$5,000. Please note that if a municipality opts-out by January 22, 2019, and opts back in at a later date, that municipality will not be eligible for additional funding.

Municipalities will receive a second payment based on the above criteria. The Province will send an allocation notice to municipalities setting out the amount of the second payment by March 2019.

3. Use of Funds

Municipalities must use the money they receive from the Fund solely for the purpose of paying for implementation costs directly related to the legalization of cannabis.

Examples of permitted costs include:

- Increased enforcement (e.g., police, public health and by-law enforcement, court administration, litigation)
- Increased response to public inquiries (e.g., 311 calls, correspondence)
- Increased paramedic services
- Increased fire services
- By-law / policy development (e.g., police, public health, workplace safety policy)

Municipalities must not use the money they receive from the Fund to pay for:

- Costs that have been, or will be, funded or reimbursed by any other government body, or third party
- Costs not related to cannabis legalization

Next Step On April 1, 2019 Ontario will allow licensed private sector retailers to sell recreational cannabis from store fronts in communities across the Province. **Municipalities are faced with an all or nothing decision to regulating retail cannabis stores**; 1. Municipalities can opt out of allowing retail storefront sales entirely **OR**
2. Municipalities can allow retail storefront sales

These are the two options available to Municipalities:

Opt Out:

- South Huron must pass a resolution and provide it to the province by January 22, 2019 to opt out.
- The Municipality can subsequently opt in at any time, but will be unable to opt out in the future
- If the Municipality opts out, the province will not issue any retail store authorizations for locations in South Huron and there will be no legal storefronts here.
- Individuals can purchase recreational cannabis online from the Ontario Cannabis Store or from a cannabis retail store in a municipality that has not opted out.
- If the Municipality opts out, we will still receive a first payment from the Ontario Cannabis Legalization Implementation Fund but the second payment will be limited to \$5,000 and there will be no opportunity to share in the federal excise duty.
- The province is setting aside \$10 million from the Fund for “unforeseen circumstances” and priority will be given to municipalities that did not opt out as of January 22, 2019.

Allow Storefront Cannabis Sales:

- If the Municipality doesn't opt out then the Municipality is automatically deemed to have opted in and cannot opt out in the future.
- The province controls the licensing and operation of the private cannabis retail stores.
- The province requires a cannabis retail store to be a minimum distance of 150 metres from a school.
- The Municipality is not permitted to impose any additional restrictions specific to cannabis retail stores through its zoning by-law (i.e. distance separation from: other cannabis retail stores, addiction treatment facilities, parks, sports fields, community centres, long-term care homes, etc.).
- The Municipality is not permitted to limit the number of cannabis retail stores in South Huron.
- The Municipality is not permitted to create business licensing regulations specific to cannabis retail stores.
- The AGCO will require applicants to post a placard at a proposed store location for 15 calendar days. The AGCO will also post a notice on its website. During the 15 day notice period the Municipality and its residents may provide written submissions to the AGCO through its website. The submissions can only relate to 3 public interest factors: (1) protection of public health and safety; (2) protection of

youth and the restriction of their access to cannabis; and (3) prevention of illicit activities in relation to cannabis. By opting in, the Municipality will receive the first payment under the Fund but will also receive a second payment that is based on a per household basis (not capped at \$5,000) and priority access to the “unforeseen circumstances” funding.

If the province’s portion of the federal excise duty on recreational cannabis over the first two years of legalization exceeds \$100 million, the province will provide 50% of the surplus only to those municipalities that have not opted out as of January 22, 2019

Subsequent to the Council meeting, Staff undertook to conduct a survey of residents on the website. The information above was provided and the following questions were asked:

Survey

The Municipality of South Huron wants to know what you believe to be the best option locally:

Opt Out and ban storefront cannabis sales in South Huron
Allow storefront cannabis sales in South Huron

Comments:

The following questions are for enhanced data collection:

Which group includes your age?

17 or younger

18-20

21-29

30-39

40-49

50-59

60 or older

Prefer not to answer

What is your gender identity?

Female

Male

Transgender

Non-binary

Not otherwise specified

What Ward do you live in?

1

2

3

The results of the survey are attached to this report. At this time, based on the information provided to date, it is recommended to proceed to “opt in” and authorize recreational cannabis retail stores to be located in the Municipality of South Huron.

This recommendation is supported by both the Chamber of Commerce and the BIA. Both entities have provided letters to Council that are incorporated as part of the agenda package.

Financial Impact:

By “opting in”, the Municipality maximizes its revenue opportunities through the Ontario Cannabis Legalization Implementation Fund and ensures a share in a portion of the federal excise duty subject to the province’s portion of the federal excise duty on recreational cannabis over the first two years of legalization exceeds \$100 million, the province will provide 50% of the surplus only to those municipalities that have not opted out as of January 22, 2019.

Legal Impact:

There are no legal implications as a result of the actions outlined in this report

Staffing Impact:

There are no staffing implications as a result of the actions outlined in this report

Respectfully submitted,

Dan Best, Chief Administrative Officer/Deputy Clerk