
Additional Information – Proposed Approach for New Cannabis License Bylaw

Recommendation

That the report of the General Manager, Community Services Department, dated June 25, 2018, be received as information.

Topic and Purpose

This report provides information as a supplement to the report entitled Proposed Approach for New Cannabis License Bylaw from the June 13, 2018 meeting of the Standing Policy Committee on Planning, Development and Community Services.

Report Highlights

1. From June 2017 to June 2018, approximately \$132,000 has been spent preparing for cannabis legalization.
2. Future costs for cannabis regulation following legalization are estimated to be \$145,900 in the first year, and \$67,200 in the following year. Fees will be reviewed after 24 months of regulation to ensure they are still meeting the cost-recovery standard.
3. Cannabis license fees are varied across Canada due to different regulatory structures.

Strategic Goals

This report supports the City of Saskatoon's (City) Strategic Goals of Sustainable Growth and Economic Diversity and Prosperity. Appropriate local regulations for the licensing of cannabis-related businesses will provide certainty for businesses in the emerging cannabis industry, while ensuring possible adverse effects on business districts, neighbourhoods, and citizens are mitigated.

Background

At its June 13, 2018 meeting, the Standing Policy Committee on Planning, Development and Community Services received the Proposed Approach for New Cannabis License Bylaw report and resolved:

- "1. That the Standing Policy Committee on Planning, Development and Community Services recommend to City Council:
 - a. That the proposed terms to be included in a new Cannabis License Bylaw, as outlined in the June 13, 2018 report of the General Manager, Community Services Department, be approved; and
 - b. That the City Solicitor be requested to prepare a new Cannabis License Bylaw; and

2. That the Administration provide a report by the June 25, 2018 Council meeting to include additional information on the breakdown of the costs, including costs to date and future costs, and information on how other Canadian cities are addressing the issue.”

The report from June 13, 2018, is included as Attachment 1.

Report

Cannabis Legalization Costs to Date

Since the summer of 2017, the Administration has been involved in preparations for the federal legalization and provincial regulation of cannabis. This has involved a total cost of staff resources of approximately \$119,000. This work has largely included:

- a) correspondence with individuals inquiring about opening stores prior to legalization;
- b) liaising with other municipalities (mainly in Saskatchewan) and organizations on regulatory responses to legalization;
- c) compiling research from other municipalities on zoning regulations to allow for cannabis-related businesses and determining where retail stores or production facilities ought to locate;
- d) legal research on various issues raised in relation to legalization;
- e) monitoring advancements of the federal and provincial regulatory systems being put into place;
- f) communicating with Business Improvement Districts, Saskatoon Police Service, Saskatoon Fire Department, Building Standards Division, Saskatchewan Health Authority, Greater Saskatoon Catholic Schools Board, and Saskatoon Public Schools Board;
- g) enforcement and prosecution for dispensaries operating illegally;
- h) coordinating the municipal role with the requirements from the province;
- i) working with Insightrix Research Inc. to develop and issue the 2018 cannabis public survey;
- j) drafting bylaw amendments; and
- k) preparing several reports to Committee and City Council for the City’s proposed approach leading up to cannabis legalization.

Additional costs include \$10,000 for the 2018 cannabis public survey and \$3,000 for meeting advertisement requirements for bylaws, resulting in a total cost of approximately \$132,000.

Anticipated Future Costs

It is anticipated that once legalization occurs, the use of staff resources will increase due to the additional services that will be provided to the business community and general public. In the first years following cannabis legalization, it is anticipated that the

Administration’s costs of administering, regulating, and enforcing the Cannabis License Bylaw will be as outlined in the following chart:

Staffing Resources	Cost (2019)	Cost (2020)
Planning	\$88,800	\$33,900
Legal	\$20,000	\$13,300
Inspections	\$15,800	\$11,800
Administration	\$6,200	\$3,100
Communication	\$15,100	\$5,100
Total	\$145,900	\$67,200

While the Administration anticipates that the costs of administering, regulating, and enforcing the Cannabis License Bylaw will decrease in 2020, it will be uncertain until that time. The Administration proposes that after 24 months, the licensing fee structure will be re-evaluated in accordance with long-term resource requirements. The goal of the evaluation is to ensure cost-recovery is maintained on an ongoing basis.

Licensing Information from Other Canadian Cities

Cannabis will be regulated in a variety of ways across cities in Canada and is dependent on provincial regulatory decisions. One of the primary differences in cannabis regulation across Canada is whether the number of retail stores will be limited. If there is no limit to the number of retail stores able to open in a given location, the free market will govern the number of stores in operation, and cities will be licensing multiple businesses and renewing multiple business licenses on an ongoing basis. Alternatively, if a cap is applied on the number of retail stores, there will be only a certain number of businesses being licensed. Attachment 2 outlines a summary of provincial approaches for the regulation of cannabis retail stores.

In Saskatchewan, the provincial government has limited the number of stores allowed to open in the city. With only seven retail store permits issued, Saskatoon does not have the ability to recoup costs from multiple different retailers. The Administration is required to accommodate seven businesses, but is necessitated to commit resources associated with regulating an entire industry.

For comparison to Saskatoon’s approach, Attachment 3 has outlined licensing and development fees in comparable cities, including information on the volume of licenses for which they would be processing and receiving fees.

Communication Plan

The Administration will ensure that the regulations for cannabis-related businesses, once approved, are well communicated to prospective business owners through the City’s regular communication channels, including News Releases, social media, and the development of an informational webpage and other information pieces as necessary.

Financial Implications

It is anticipated that there will be a significant impact on staffing resources when cannabis becomes legal in 2018. The estimates provided in this report outline the best approximations for potential financial implications.

Other Considerations/Implications

There are no policy, environmental, privacy, or CPTED implications or considerations.

Due Date for Follow-up and/or Project Completion

The Administration has proposed that amendments to the Cannabis License Bylaw, if approved, may come at a later date if changes are warranted. Following a review of the effectiveness of the regulations, the Administration can report back in 24 months once the fee structure has been reviewed.

Public Notice

Public notice is required for consideration of this matter, pursuant to Section 3 (Subsection A) of Policy No. C01-021, The Public Notice Policy. A notice was placed in The StarPhoenix more than seven days prior to the public hearing.

Attachments

1. Report to June 13, 2018 Meeting of Standing Policy Committee on Planning, Development and Community Services – Proposed Approach for New Cannabis License Bylaw
2. Provincial Cannabis Regulations for Retail Stores
3. Licensing and Development Fees for Cannabis Retail Stores in Canada

Report Approval

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