



AGENDA ITEM # 6

**AGENDA ITEM EXECUTIVE SUMMARY
Committee of the Whole Meeting
October 14, 2019**

Item Title: Cannabis Regulation and Tax Act

Staff Contact: Jeffrey D. O'Dell, Village Administrator

COMMITTEE OF THE WHOLE ACTION

Continue a discussion regarding the new Cannabis Regulation and Tax Act (CRTA) and provide direction to staff should the Village Board be interested in permitting various recreational cannabis businesses to operate in the Village of Roselle.

Executive Summary:

The Village Board has used its August 12 and 26 COW meetings to deliberate the new CRTA and its impact on Roselle should it elect to allow or prohibit recreational cannabis businesses in the Village. Since then, staff has shared with the Village Board additional information documents provided by the DuPage Mayors and Managers Conference, Illinois Municipal League, and Illinois Police Chiefs Association. While the Village Attorney has opined that there is probably nothing in the CRTA requiring a municipality to amend its zoning ordinance to allow or prohibit recreational cannabis businesses from locating in Roselle prior to the Act's effective date of January 1, 2020, he has also indicated that amending the zoning ordinance is the safest course of action due to some lack of clarity in the CRTA. With that said, Mayor Maglio would like the Village Board to come to a conclusion on the matter as soon as possible.

In advance of the October 14 COW meeting, staff is providing the Village Board with additional local zoning regulation information and cannabis dispensary business revenue and taxation projections for further consideration.

Local Zoning Regulation:

- Municipalities may enact reasonable zoning restrictions pertaining to licensed recreational cannabis dispensaries, cultivation centers, craft growers, infusers, processors, or transporting businesses, including prohibiting them, if not prohibited. Municipalities may, but are not required to, establish setbacks related to recreational cannabis dispensaries or cultivation centers. The intent of the CRTA is to provide local control over citing and zoning options as long as these zoning decisions were based on what each jurisdiction determines are appropriate concerns for its community so long as they are reasonable.

- The CRTA includes only two instances where the law requires recreational cannabis business setbacks. The first is that dispensaries must be a minimum 1,500 feet apart from another dispensary. The second is that craft grower facilities must be 1,500 feet apart from other craft grower facilities and cultivation centers. In recent years, past Village Boards have amended the zoning ordinance with text amendments establishing distance and setback restrictions for (1) medical cannabis dispensaries and cultivation centers and (2) adult use businesses.
- The medical cannabis restrictions came as a result of the Compassionate Use of Medical Cannabis Pilot Program Act. That Act did not allow municipalities to prohibit lawful medical cannabis businesses although they may be restricted to certain zoning districts. As a result, medical dispensary businesses are considered a permitted use but may not be located within 1,000 feet of the property line of a pre-existing public or private preschool, or elementary or secondary school, or daycare center, daycare home, group daycare home, or part day child care facility. A registered dispensing organization may not be located in a house, apartment, condominium, or an area zoned for residential use. Medical cultivation centers are considered a special use but are not permitted to be located within 2,500 feet of the property line of a pre-existing public or private preschool or elementary or secondary school or daycare center, daycare home, group daycare home, part-time day child care facility or an area zoned for residential use. It is worth noting that the Act was recently amended in August, eliminating any distance requirements for medical dispensing organizations registered on or after July 1, 2019.
- By analogy, the adult use business text amendment provides that no adult use business in Roselle shall be maintained (1) within 200 feet of any R zoning districts, (2) within 200 feet of the property line of another adult use business, or (3) within 500 feet of a church, school, library, park, or other publically operated recreational facility. Hypothetically, the Village could use similar standards if it elects to allow the sale or cultivation of recreational cannabis.
- The attached zoning district map reflect areas in Roselle where a recreational cannabis dispensary or cultivation center could be located with the same distances requirements already established for adult use businesses.

Revenue and Taxation Projections:

- The CRTA allows municipalities to impose a local retailers sales tax of up to 3% of the retail purchase price of cannabis. This special tax is in addition to the regular sales tax of 1% the Village receives on all other applicable items sold in Roselle, including sales of recreational cannabis product. The 3% cannabis special sales tax must be imposed in increments of .25%, i.e. a municipality could choose to implement this special tax at a rate of 2.25%. Because the special tax can be less than 3%, there is a likelihood that municipalities allowing recreational cannabis dispensary businesses may not impose the full 3% in order to make themselves more financially attractive to recreational cannabis sellers and customers.

- Based on staff's research, there does not seem to be any definitive projections for the amount of sales tax a municipality might receive should one recreational cannabis dispensary be located in a community. However, municipal staff in other communities have shared with their elected officials a report previously prepared by the Illinois Economic Policy Institute (IEPI) in November of 2018. The IEPI is a non-profit organization that favored legalization of recreational cannabis and is aligned with many labor organizations. At that time of their report, the IEPI based its projections of statewide sales of recreational cannabis at just over \$1.6 billion annually. For comparison purposes, other legislators and organizations have projected a fully mature market of recreational cannabis sales at \$5 billion annually. The IEPI projection for a single recreational cannabis dispensary in Illinois was as follows:

• Total Estimated Sales	\$1,616,200,000
• Number of Potential Dispensaries in Illinois	185
• Sales per Dispensary	\$8,736,216
• 3% Cannabis Sales Tax per Dispensary	\$262,086
• 1% Regular Sales Tax per Dispensary	<u>\$87,362</u>
• Total Potential Revenue Per Dispensary	\$339,448

Direction Requested:

If the Village Board elects to prohibit the location of any type of recreational cannabis business in Roselle, staff will work with the Village Attorney to prepare an ordinance amending the Zoning Code prohibiting recreational cannabis businesses. If the Village Board elects to allow recreational cannabis dispensary, cultivation centers, or other related businesses in the community, it may want to consider remanding the issue back to the Planning and Zoning Commission with specific direction on zoning district restrictions for further evaluation. If the Village Board is not prepared to make a decision to allow or prohibit recreational cannabis businesses in Roselle, the Village Attorney has opined that it may want to consider passing an ordinance creating a Moratorium until the market place sorts itself out and the Village is actually approached by an interested business owner.

Implications:

Is this item budgeted? No.

Any other implications to be considered? Yes, the Illinois Department of Financial and Professional Regulation (IDFPR) announced recently that applications for new recreational cannabis dispensing business licenses will be accepted beginning December 10, 2019 and closing on January 2, 2020. The IDFPR expects to issue an additional 75 dispensary business licenses by May 1, 2020. As you know, the existing 55 medical cannabis dispensary businesses have been eligible to apply for an additional recreational cannabis dispensary business for the last couple of months. Several have already been awarded this fall. Also attached to this memo is a map highlighting the distribution for these additional 75 dispensary licenses.

Attachments:

Roselle Zoning District Map and Dispensary License Distribution Map

