

November 27, 2018

Report to: Mayor and Council

Regarding: Cannabis Retail Sales in Town of Fort Frances

From Tannis Drysdale, RRFDC Economic Development

Background

The Government of Ontario will allow municipalities the option to not permit cannabis retail sales if they pass a bylaw and inform the Minister of Finance by January 22, 2018.

The Government of Canada legalized the use and sale of cannabis as of October 17, 2018.

Provinces were permitted to legislate how cannabis would be sold to the public (whether public or private retailers), set higher age limits and create regulations for retailers.

Ontario chose to allow private retail sales, with the Ontario Cannabis Store (OCS) acting online retailer and sole wholesaler. Ontario chose to match cannabis legal usage age with its' legal drinking age at 19 years.

The Ontario Cannabis Store is currently the only legal cannabis seller in Ontario, through its online store. Cannabis products must be clearly labelled with their THC (psychoactive, high) and CBD (acts to reduce pain, anxiety, appetite stimulation) percentages. Cannabis producers are prohibited from promoting their products and marketing guidelines are strict.

The Government of Ontario announced the licensing criteria for private retailers in late November 2018 with the goal of stores opening April 1, 2019.

Currently only smokable and topical products are sold in Ontario. Edibles (food with THC or CBD added) will be legal in Canada in October 2019. This will create many new manufacturing opportunities including THC or CBD laced drinks, teas, cookies, candy etc. These products will only be sold at approved retailers.

Municipal Zoning Powers and Retail Rules

All stores will be licensed by the Alcohol and Gaming Commission of Ontario (AGCO)

- Cannabis retailers to operate with 150 meters of a school.
- Hours of operation will be limited to 9:00 a.m. and 11:00 p.m.
- No one under the age of 19 will be allowed to enter stores.
- Stores will only be allowed to sell cannabis products and will not be allowed to co-locate with a café or other retail. Stores will be required to maintain specific security for merchandise.
- Regular municipal zoning and requirements for retail establishments will apply.

Cannabis Excise Duty Funding

All municipalities in Ontario will receive at least \$5,000 to assist with costs associated with the legalization of cannabis. Municipalities who chose to allow retail sales will receive an additional minimum of \$5,000. Municipalities will also be eligible to apply to a fund of \$10 million that has been set aside for unforeseen costs of Cannabis legalization. Details of this \$10 million fund are yet unknown.

Municipalities who chose not to opt out will share, on a per household basis, 50% of any excise revenue over \$100 million in the first two years. This will be divided by Ontario municipalities that allow retail sales.

To receive these funds municipal governments must track expenses related to cannabis sales. These expenses can include policing, public health, bylaw and potentially paramedic services.

Economic Development Impact

Cannabis Market Size:

Using Statistics Canada's reported illegal usage in 2018, the Rainy River District (west of Atikokan) gross market revenue size should be large enough to support 2 to 4 small storefront retailers.

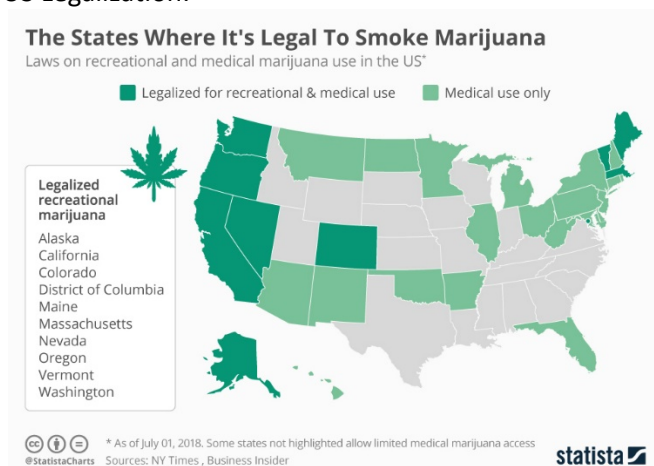
Assuming:

- 14% of residents of the district continue to consume Cannabis at a typical annual rate of 21 grams per person. (local market 2.7 million)
- 14% of tourist from the US consume smaller amounts of Cannabis products when visiting May to October. (tourism market 4.2 million)
- Profit margins allowed by the AGCO remain small.

(Note a percentage of the market will be maintained by both illegal sales and online sales via OCS)

Most analysts predict that the cannabis market will grow over the next 5 years as a result of legalization. Predictions for eventual market size growth vary between 15% to 20%. The percentage of the market captured by the legal sales will grow over that period as well.

US Legalization:



Source: Statista

Recommendation to Council

EDAC recommends that the Town of Fort Frances allow retail cannabis sales for the reasons outlined in this report.

There are likely very many sound arguments against providing local retail access to cannabis that are better understood by the medical and law enforcement community. This report deals solely with the regulatory permissions granted and the economic opportunities associated with this new retail.

Regardless of a Council's decision on opting out, the Town of Fort Frances will be exposed to any negative impacts of increased and easier access to this controlled substance as it is extremely unlikely that if Fort Frances prohibits retail operations that none will exist in nearby jurisdictions or even unorganized regions.

If the Town of Fort Frances chooses to allow retail sales of cannabis products, property taxes and employment will result. The Town will also be the recipient of the grant stream from the shared excise tax.

Helpful Links for further reading:

Cannabis in the Community - Results of Talk Public Health: The NWHU Online Discussion Panel

<https://www.nwhu.on.ca/Pages/Cannabis-in-the-Community---Results-of-Talk-Public-Health-The-NWHU-Online-Discussion-Panel.aspx>

AMO Information Reports and Presentations on Cannabis

<https://www.amo.on.ca/AMO-Content/Policy-Updates/2018/CannabisImplementation>