VILLAGE OF DOWNERS GROVE
Report for the Village
9/15/2020

SUBJECT:	SUBMITTED BY:
Consider Regulations and Taxes on Recreational Cannabis Businesses	David Fieldman Village Manager

SYNOPSIS

Staff is requesting Village Council discussion to consider regulations and taxes on recreational cannabis businesses.

STRATEGIC PLAN ALIGNMENT

The goals for 2019-2021 includes a *Strong, Diverse Local Economy* and *Stewards of Financial Sustainability.*

FISCAL IMPACT

Based on monthly sales revenue from all adult-use dispensaries in Illinois, a single dispensary would generate approximately $500,000 in annual revenue for the Village. However, allowing cannabis business establishments in the Village does not guarantee that a cannabis business establishment will locate within the Village and does not guarantee that any revenue will be generated.

RECOMMENDATION

Action at the discretion of the Village Council.

BACKGROUND

At the October 8, 2019 Village Council Meeting, the Village Council approved an ordinance prohibiting adult-use cannabis business establishments in the Village of Downers Grove. As part of the Long Range Plan process in 2020, the Village Council directed staff to prepare information to reconsider allowing cannabis based businesses within the Village.

Outlined below are items for the Council to consider for regulating recreational cannabis businesses under the Cannabis Regulation and Tax Act.

Should Cannabis Businesses be Allowed to Operate in the Village?
The Villages Zoning Ordinance currently prohibits adult-use cannabis businesses within the Village. The Zoning Ordinance would need to be modified if the Village Council provides direction to allow adult-use cannabis businesses within the Village.

If Cannabis Businesses Are Allowed, What Should the Zoning Regulations Be?
Should the Village Council elect to authorize cannabis business establishments the Village Council would need to provide direction on the following regulations:

- What type (dispensary, cultivation, craft growing, infuser, processing, transportation) of cannabis business establishments will be allowed
- The number of establishments allowed
- Which zoning districts establishments will be allowed to operate
- What parking requirements will be established
- Allowable hours of operation
- Whether establishments would be a permitted or special use
- Any distance requirements from areas such as schools, churches and government buildings
- Any separation requirements between cannabis businesses
- On-site consumption regulations

Should the Sale of Cannabis be Taxed by the Village?
The Village may enact an ordinance or resolution establishing a Municipal Cannabis Retailers' Occupation Tax on recreational cannabis products up to 3% of the purchase price. This tax would be in addition to the 2% of sales tax revenue the Village collects. Cannabis purchased under the Compassionate Use of Medical Cannabis Pilot Program Act is excluded from this tax.

If the Village Council provides direction to allow adult-use cannabis business establishments within the Village, the following actions will take place:

- November 2020 - Plan Commission Meeting to consider Zoning Ordinance text amendments

- December 2020 - Village Council consideration of Zoning Ordinance text amendments and Municipal Cannabis Retailers' Occupation Tax

Action is requested at the discretion of Village Council.

ATTACHMENTS

Zoning of Cannabis Based Businesses – Staff Presentation

Zoning of Cannabis Based Businesses

September 15, 2020

Zoning of Cannabis Based Businesses

What have we learned?

- Status of other municipalities
- Public safety
- Revenue
- Licensing

Policy questions for Council consideration

Just a zoning idea and mapping it out

Status of Community Regulations

DuPage County Municipalities: Opt-In

Opted In	Adult Use Dispensary in Operation	Adult Use Dispensary (Pending Application)
Addison	X	
Bartlett		
Darien		
Lombard		X
Oak Brook Terrace	X	
Naperville		X
Schaumburg	X	
Villa Park		
Warrenville		X
Westmont		X
Willowbrook		
Winfield		

Status of Community Regulations

Referendum Results

March 3, 2020 Municipal Referendum Results: Cannabis	Results	
	Yes	NO
Cicero	63.0%	36.9%
Lemont	43.5%	56.5%
Naperville	53.3%	46.7%
Northlake	55.0%	45.0%
Rosemont	59.7%	40.2%
Westchester	46.9%	53.1%

November 3, 2020 Scheduled Municipal Referendums: Cannabis
Batavia
Elk Grove
Glen Ellyn
Mount Prospect
Park Ridge
Wilmette

Public Safety Impact

Municipal Survey

Survey results from 7 municipalities with a dispensary to understand the impact on law enforcement

Criminal Activity at Dispensaries

- 3 municipalities reported no criminal activity
- 4 municipalities (5 total dispensaries) reported:
  - 1 burglary to the business
  - 2 attempted burglaries to the business
  - 5 fight/disturbances
  - 4 counterfeit currency incidents
  - 1 child left in car
  - Parking complaints, suspicious persons, soliciting, mental health related, social distancing

Additional police staff added due to a dispensary?

- No respondents have added additional police staff as a result of a dispensary opening

Public Safety Impact

Municipal Survey

Survey results from 7 municipalities with a dispensary to understand the impact on law enforcement

Criminal Activity: Liquor Store vs Dispensary

- Reported a series of liquor store burglaries similar to a recent burglary at a dispensary
- Reported robberies at liquor stores, in contrast to attempted burglaries at a dispensary
- Reported armed robberies at liquor stores, in contrast to various disturbance calls at a dispensary
- Reported "many more criminal calls" at a particular liquor store, while reporting only a general increase in disturbance-type calls at their dispensary
- Reported that additional security measures are in place at dispensaries
- One municipality does not have liquor stores
- One municipality did not respond to this question

Adult-Use Cannabis Tax Revenue

Current Revenue

Local Government Distributive Fund

- After covering the cost for administering the Cannabis Regulation and Tax Act; The State of Illinois will transfer 8% of the remaining revenue to the Local Government Distributive Fund to fund crime prevention programs, training, and interdiction efforts relating to cannabis.
- The Village currently collects approximately $3,000 a month through this revenue stream

Adult-Use Cannabis Tax Revenue

Potential Revenue

Dispensary

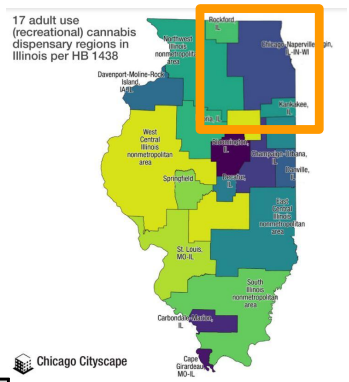
- A single dispensary averages an estimated $500,000 in annual revenue for local governments
  - Based on monthly sales revenue from all the adult-use dispensaries in the state of Illinois
  - Current market conditions could decrease as more dispensaries open and demand decreases

Cultivation/Processor/Transporter/Craft Grower

- No additional adult-use tax revenue is expected for a cannabis cultivator, processor, transporter or craft grower business.
  - Municipalities can only impose a tax on the retail sales of adult-use cannabis.

Illinois Licensing Requirements

New Licenses



Dispensary License Timeline	Impact on Chicago-Naperville-Elgin Region
January 1, 2020 Early approval adult use license for current medical cannabis license holders	6 medical cannabis license holders have established a second location in the region 27 licenses currently available in the region
May 1, 2020 Award up to 75 licenses to new dispensing organizations	Award of licenses delayed until end of September 2020 47 new licenses currently eligible in the region
December 21, 2021 Award up to 110 licenses to new dispensing organizations	Licenses will be distributed after a disparity study is conducted in March 2021 Number of dispensaries in the region is unknown
Available Dispensary Licenses in Chicago-Naperville-Elgin Region: 74	

Policy Questions for Council Consideration

If cannabis businesses are allowed:

- What type (dispensary, cultivation, craft growing, infuser, processing, transportation) of cannabis business establishments will be allowed
- The number of establishments allowed
- Which zoning districts establishments will be allowed to operate
- Whether establishments would be a permitted or special use
- Any distance requirements from areas such as schools, churches and government buildings
- What parking requirements will be established
- Any separation requirements between cannabis businesses
- On-site consumption regulations
- Allowable hours of operation
- The tax rate, if any, to be applied to the sale of cannabis

Just a Zoning Idea….

Cannabis Use Type [1]	Business Zoning Districts				
	B-2	B-3	O-R-M	M-1	M-2
Cannabis Dispensary	S	S	S	S	S
Other Cannabis Based Businesses (Cultivation, Processor, Transporter, Craft Grower)	-	-	S	S	S
[1] Not adjacent to residential Not within 1,000 feet of a daycare, school or park Per State Law, a dispensary may not be within 1,500 feet of another dispensary					
Cannabis Based Business Special Use Permits limited to Three					
The Village has the right to impose hours of operations on Cannabis Based Businesses within the Village					

S Special Use
\- Prohibited

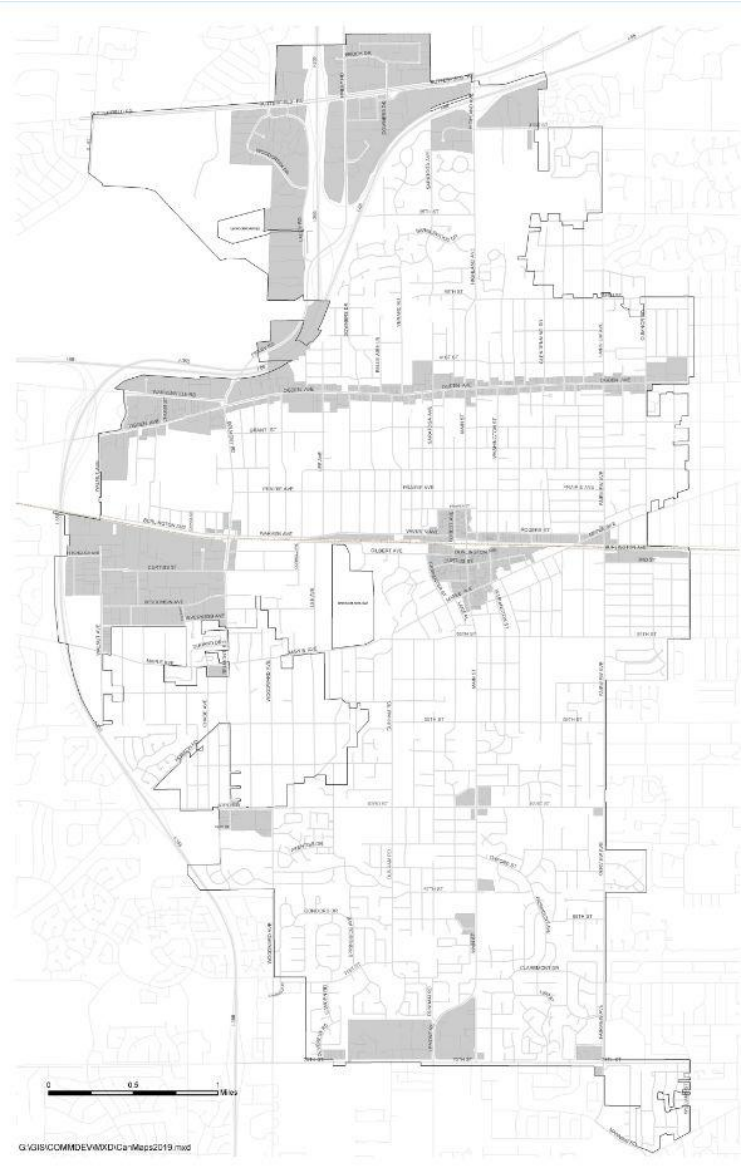
Just a Parking Idea….

Cannabis Dispensary: Within a shopping center or industrial campus with shared parking	• 6 spaces per 1,000 sf of gross floor area • Require parking plan
Cannabis Dispensary: Standalone without shared parking	• 7.5 spaces per 1,000 sf of gross floor area • Require parking plan
Cultivation, Processor, Transporter	• Use existing 'Industrial' parking ratio of 1.17 spaces per 1,000 sf of gross floor area
Craft Grower	• Dispensary area parked per above dispensary rules • Cultivation area parked per 'Industrial' parking ratio

Mapping This Out

All Commercial

Does not include residential or institutional zoning districts



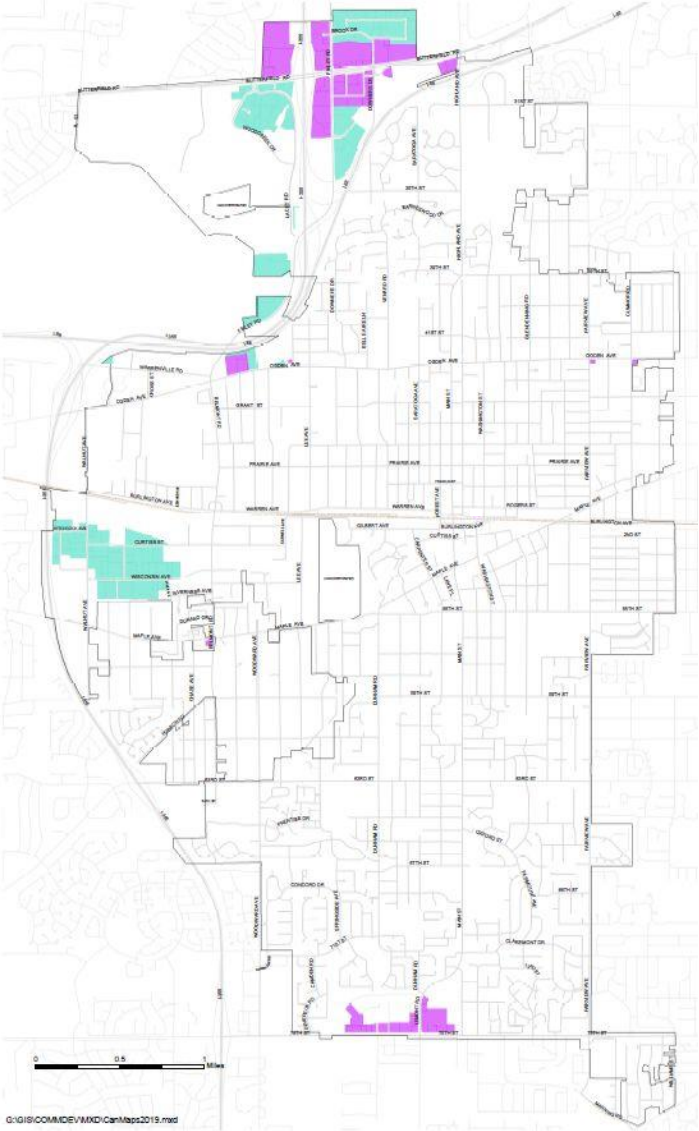
Zoning of Cannabis Based Businesses

Mapping This Out

1,000 ft separation distance

All Cannabis Related Uses
Including Dispensaries

Limited to Dispensary ***ONLY***



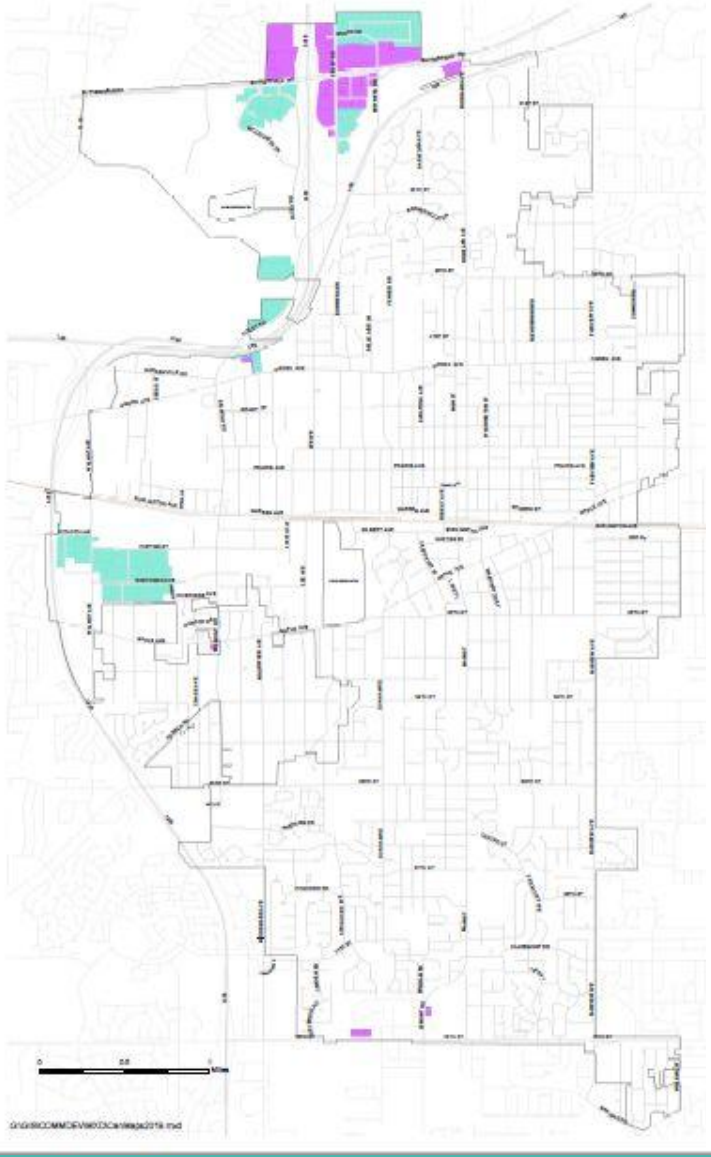
Zoning of Cannabis Based Businesses

Mapping This Out

1,300 ft separation distance

All Cannabis Related Uses
Including Dispensaries

Limited to Dispensary ***ONLY***



Zoning of Cannabis Based Businesses

Next Steps

Next Steps for Zoning of Cannabis Based Businesses

- October 6 - Provide Council direction

- If Council provides direction to modify zoning and Municipal Cannabis Retailers' Occupation Tax:
  - November 2 - Plan Commission meeting to consider Zoning Ordinance Text Amendments
  - December - Village Council consideration of Zoning Ordinance Text Amendments & Municipal Cannabis Retailers' Occupation Tax

Zoning of Cannabis Based Businesses

September 15, 2020