

Cannabis Retail Store Fee Structure

Recommendation

That the August 10, 2021, Urban Planning and Economy report UPE00242, be received for information.

Previous Council/Committee Action

At the December 7, 2020, City Council meeting, the following motion passed:

That Administration engage with the Alberta Cannabis Coalition, the Cannabis Industry, as well as the Edmonton Police Service, to review the cannabis retail store fee structure and return with recommendations and the potential for advocacy to the Government of Alberta.

Executive Summary

The City Plan, approved on December 7, 2020, is a bold and innovative land use, policy and infrastructure framework that will guide the City as it grows to a population of two million. The City Plan sets strategic direction for the way Edmonton grows, its mobility systems, open spaces, employment and social networks. Implementing The City Plan will require a number of initiatives, actions and changes that will be applied in concert and yield the desired long-term transformational change.

The proposed Cannabis Retail Store Fee Structure, outlined in Attachment 3 of August 10, 2021, Urban Planning and Economy report UPE00381, Business Licence Bylaw (Bylaw 20002), represents one of the elements to streamline and simplify the City's permitting, licencing and regulatory processes to ensure all people and businesses have access to opportunities to thrive, create and prosper. These changes will balance streamlining regulations with ensuring the City meets legislative and safety requirements and has the ability to properly address activities that are unique, challenging or have public interest or community concerns.

Report

The recreational sale and use of cannabis was legalized on October 17, 2018. In preparation, Council approved amendments to both the Zoning Bylaw (Bylaw 12800) and Business Licence Bylaw (Bylaw 13138). Administration identified principles that guided the development of bylaws and processes, including:

- Public health and safety - support education and the evolution of the legal cannabis market.
- Business friendly - integrate the cannabis industry into the Edmonton economy.
- Community balance - balanced perspectives of Edmontonians related to cannabis.

As part of the amendments, fee schedules were also approved for development permits and business licenses. The fees set forth were based on a cost recovery for services directly related to these permitting and licensing processes. The fees have recouped costs associated with Administration personnel, overhead, and other costs in preparation for the legalization of cannabis as it relates to establishing the application, permitting, and licensing process. The preparation and processing activities led to Administration's success in achieving the business-friendly principle resulting in six cannabis retail stores being open on the first day of cannabis legalization (out of the 17 across Alberta).

Since 2018, Administration continues to support cannabis retail store applicants in addressing application complications, clarification of regulations and general inquiries. To date there are 227 development permits approved and 135 Cannabis Retail Store licenses issued. Over time, the processes have proven to be effective as approval and licensing teams have become increasingly familiar with this industry thus decreasing the need for dedicated support. Dedicated funding for resources to support these applications was removed in 2020 and the processing of these applications is now part of regular service. In addition, there is an observed decrease in customer service support required for cannabis retail store applications.

Feedback from Cannabis Retail Industry

Administration met with the cannabis retail industry to gather feedback related to the permitting and licensing fee structure and to understand the current cannabis retail environment. Industry representatives associated with Administration's dedicated services team and the Alberta Cannabis Council were invited to participate in both virtual focus sessions and an online survey. A summary of responses is available in Attachment 1.

The general feedback from the industry is that the fees are high. Administration heard that the industry has matured and the application and permitting processes should be normalized into regular service. It is viewed that cannabis use class and business category have similar requirements to other industries (e.g. liquor stores) and similar fees should be applied.

Industry representatives also voiced current challenges in both the market and regulatory environment. Industry formed the Alberta Cannabis Council, a network to connect and collectively advance industry interests. Administration will continue building relationships within the cannabis retail industry with a goal to provide support

and to address challenges to growth and expansion including impacts from other levels of the government.

Next Steps

Administration has provided dedicated support to assist this new industry navigate the City's permit and licensing process. This industry no longer requires dedicated services and the application process for both development permits and business licensing is part of regular permitting and licencing services. Upon this review of the cannabis industry, Administration recognizes the development permit and business licence cannabis fee structure should align with similar service fees structures.

The new development permit fees align with the fee structure applied to all development across the city. With respect to business licence, the new fees align with the tiered fee structure as part of the proposed new Business Licence Bylaw. The tiered fee structure is based on level requirements for each business category which is reviewed as part of the licence issuance process. Cannabis retail sales is set at tier three which aligns with similar requirement level categories including liquor stores (alcohol sales consumption off premise) where there are no other requirements. Comparatively Cannabis Processing and Cannabis Cultivation is set at tier four (aligns with exotic entertainment venue, and pawnbroker) with some additional requirements such as Police information check, proof the licensee is 18 years of age or older (not required for Corporate Applicants) or proof of federal Licence. The application of the new fee structure used consistent methods when assigning fees to all 62 business categories.

Administration will advance the following actions with corresponding implementation dates:

Action	Current Fee	New Fee*
Development Permit* Fees for Cannabis Retail sales or Cannabis Production and Distribution to align with the following fees. Proposed effective date January 1, 2022 implementation.	New or Additions to Existing Buildings \$5,600.00	Gross Floor Area up to 500 square meters (5,381.95 sq. ft.) \$1,080.00 Each additional 100 square meters (1,076.39 sq. ft.) of Gross Floor Area or part thereof in commercial portion \$110.00
		Discretionary Use \$528.00
	Change of Use \$5,600.00	Permitted Use or Uses in Direct Control Districts \$375.00
Business Licence	\$2,500.00	Cannabis Retail Store \$255.00 (Tier 3)

Cannabis Retail Store Fee Structure

<p>Cannabis retail stores, cannabis processing and cannabis cultivation fees proposed in the Business Licence Bylaw 20002.</p> <p>Proposed effective date January 17, 2022</p>	<p>\$2,500.00</p>	<p>Cannabis Processing and Cannabis Cultivation \$540.00 (Tier 4)</p>
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**NOTE: Fee change impact will be incorporated in the 2022 budget as part of the Fall Supplemental Operating Budget Adjustment process. Anticipated 2022 fee increases may occur in relation to Cost of Service Study outcomes and annual inflation adjustments.*

Normalizing fees for cannabis retail stores demonstrates a continued commitment from the City of Edmonton in supporting local businesses. It is one way to reduce barriers for businesses and is one of many tools that the City can leverage to support local businesses.

Budget/Financial Implications

A Cost of Services study was conducted in 2020 to assess whether the existing cost recovery models being used by the Development Services branch were effective and in support of the long-term sustainability of the City to continue to provide services. The study concluded that there were under recoveries for upstream development services such as permits and licenses, and over recoveries in downstream development services such as the ones provided by the Safety Codes, Permits and Inspections program. However, the overall development services program achieved 96 percent cost recovery. The Cannabis program was noted as having some of the highest application costs and achieved 100 percent cost recovery. With the proposed fee changes, the Cannabis program will better align with the cost recovery achieved in other permit and license categories while the overall development services program will still aim to recover program costs with fees in support of the City's ongoing financial viability through increasing the cost recovery of regulatory services..

At inception, the Cannabis program was budgeted to bring in annual development permit revenues of \$300,000 and annual business licensing revenues of \$185,000. Fees were set at a level to ensure Administration could provide dedicated support to this new industry and positions were created to assist in program implementation. As this industry no longer requires dedicated services, the positions created to support the Cannabis industry have been eliminated and all processing is now accommodated within the existing program resources.

These positions accounted for cost savings of \$93,000 for the Planning and Development Reserve, \$236,000 for tax levy and \$185,000 for the Business Licensing program. These reductions were accounted for in the 2020 Fall Supplemental Operating Budget Adjustment process and contributed towards the zero percent 2021

tax levy increase. The reduction of fees will align revenue with the resource reductions as the program is now part of regular permitting and licensing services. On a net basis, the Cannabis program contributes positively to corporate general revenues.

The proposed revised development permit fees will reduce the initial increase of \$300,000 by \$267,000. This impact to the Planning & Development Reserve will be incorporated as part of the 2022 Fall Supplemental Operating Budget Adjustment process. This revenue decrease will not impact the approved 2022 tax levy.

The proposed revised business licensing fees will reduce the initial increase of \$185,000 by \$165,000 in 2022. This revenue decrease of \$165,000 will result in a net tax levy increase. The impact will be incorporated in the 2022 budget as part of the Fall Supplemental Operating Budget Adjustment process, and is included within the overall \$1.4 million decrease in annual revenue starting in 2022 resulting from the proposed new Business License Bylaw fee schedule changes recommended in Urban Planning and Economy report UPE00381, also being presented to Urban Planning Committee on August 10, 2021.

Corporate Outcomes and Performance Management

Corporate Outcome(s): Edmonton Region is a catalyst for industry and business growth.			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Edmonton business licensing & permits support industry and business growth	Number of Cannabis Retail Stores opened/maintained	135	N/A

Attachments

1. Cannabis Fee Structure: What We Heard

Others Reviewing this Report

- C. Owen, Deputy City Manager, Communications and Engagement
- D. Croft, Acting Deputy City Manager, Financial and Corporate Services
- H. Rai, Acting Chief Financial Officer
- K. Fallis-Howell, Acting City Solicitor