



Community Zoning Meeting: Adult Use Recreational Cannabis

5:30PM

OCTOBER 30, 2019

CITY COUNCIL CHAMBERS

100 N. MLK JR. AVE.



Adult Use Recreational Cannabis: It's Coming to Waukegan.

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Quick Facts on the Law: Illinois Cannabis Regulation and Tax Act

- ▶ **Beginning JANUARY 1, 2020, possession, use, and consumption will be legal.**
 - ▶ Possession limits: Resident vs. Out of State
 - ▶ Crossing state lines is illegal
 - ▶ Medical Cannabis is still separate (expanded to include limited home-growing)
- ▶ **The City CANNOT regulate or ban possession or use.**
- ▶ The City has limited powers, mostly related to zoning, but could ban sales.
- ▶ No changes in the law (or the proposed ordinance) to impact medical dispensary sales or zoning (or cardholders).

State Business Regulations

- ▶ A dispensing organization must include the legal name of the dispensary on the packaging of any cannabis product it sells
- ▶ Dispensing organizations are prohibited from selling any product containing alcohol except tinctures, which are limited to containers that must be no larger than 100 milliliters.
- ▶ Dispensing organization may on accept cannabis deliveries ONLY into a restricted access area.
- ▶ Maintain compliance with state and local building, fire and zoning requirements or regulations
- ▶ Submit a list to the state of the names of all service professionals that will work at the dispensary
- ▶ All lighting outside and inside must be in good working order and wattage sufficient for security cameras
- ▶ Cannot operate drive-through windows, vending machines, or deliver
- ▶ Lots of Restrictions on Signage and Advertisements

Types of Cannabis Businesses

- ▶ Dispensary (Retail)
 - ▶ Infuser (Creators of products with THC--think bakeries or chocolate makers)
 - ▶ Transporter (Strict transport from infuser to dispensary)
 - ▶ Craft Grower (Small Grow)
 - ▶ Cultivation Center (Large Grow)
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- ▶ All are regulated at the state level.
 - ▶ Very few Licenses available.
 - ▶ *Onsite consumption

Issues Related to the Cannabis Act

- ▶ DUI/Police Enforcement:
 - ▶ Expected increase in DUIs;
 - ▶ More time to evaluate suspect drivers, and in police processing time;
 - ▶ No roadside tests means more DREs needed.
- ▶ No Insurance (Namely no dram shop for onsite consumption)
- ▶ Cash only businesses
- ▶ Expungements of old cannabis arrests (a rough estimate is that, combined with juvenile expungements, conservatively, this could cost in the range of \$500-750,000);
- ▶ Expected increase in calls to 911 & ambulance calls
- ▶ HR Policy Changes

All of these are regardless of if we allow a dispensary or not.

Taxation and Sources of Revenue

- ▶ Direct Taxation:
 - ▶ Municipal/ Home Rule Sales Tax (3%)*
 - ▶ State 7% Sales/Privilege Tax
 - ▶ State Excise Tax (10-25% based on product)
- ▶ Other Programs (Potentially) Benefiting City:
 - ▶ 8% of Sales across State goes to Distributive Fund (per capita)**
 - ▶ R3 "Grants" for law enforcement, etc.

EXAMPLE

ALL FIGURES ARE ESTIMATES FOR ILLUSTRATION PURPOSES ONLY

- ▶ So, theoretically, for \$1,000,000 in sales:
 - ▶ City Sales Tax: \$30,000.00*
 - *Note: IDOR charges a 1.5% processing fee, thus the actual revenue to the City would be about \$29,550.00.
 - ▶ State Sales Tax: \$70,000.00
 - ▶ State Excise Tax: \$100,000 - \$250,000
- ▶ Total taxes paid at sale: \$200-350,000.
 - ▶ Of that \$200,000:
 - ▶ Up to \$16,000 would go into distributive fund **
 - **Note: Due to the "waterfall" built into the Act, this may be substantially less.
- ▶ Also Note: Money for grants is separately allocated.

Zoning (What can we do locally?)

- ▶ SO, What can we do?
 - ▶ Ban the Sale? Or
 - ▶ Allow Businesses to locate with restrictions?
 - ▶ Home Rule Tax of up to 3%
 - ▶ **No Action is NOT an option for Waukegan.**
- ▶ State Law requires 1,500 feet between dispensaries
- ▶ State Law requires 1,000 foot buffers for sign and advertising from:
 - ▶ Schools, Daycares, Parks, Libraries, other recreational facilities
 - ▶ This effectively creates a buffer
- ▶ State Law allows us to create buffers from other sensitive areas

Zoning (Waukegan Proposed Ordinance)

- ▶ **Any cannabis use requires a Conditional Use Permit** — it **must** be approved by the PZC and City Council.
- ▶ Up to 2 freestanding dispensaries—1 downtown, and 1 in fountain square
 - ▶ (Due to distance restrictions in state law from schools, libraries parks, and day care facilities, and other dispensaries even though we don't cap the number, the number of possible sites will keep it to 2, possibly 3 maximum)
- ▶ Any of the other uses (cultivation, craft grow, transportation and infusers) allowed in I-1 and I-2 industrial districts.
 - ▶ Dispensary allowed to co-locate as part of another cannabis business in an I-2 district.
- ▶ This ordinance **does NOT** allow onsite consumption.
- ▶ Includes no buffers not currently included in State Law.
- ▶ Following discussion from PZC, we reviewed a buffer from Houses of Worship (churches), and recommend **NOT** amending the ordinance to include a specific buffer:
 - ▶ *The CUP Process requires notifying those houses of worship, along with other property owners within 250 feet, and they can object;*
 - ▶ *CUP REQUIRES Council approval, so there is an opportunity to consider the location;*
 - ▶ *CUP language already looks at the "Impact of the ... facility on existing uses located within the vicinity of the [proposed facility]." (4.18-4(1));*
 - ▶ *Remember that we have lots of storefront churches, and there is **no City registry** of current churches.*
- ▶ This ordinance does not change our regulations regarding Medical Dispensaries, which are already Conditional Uses
- ▶ Taxing at 3% to offset expected increases in City expenses and increased use of city services: a use tax instead of increased property taxes. (separate finance ordinance)

Why Act Now?

- ▶ Due to the extremely limited number of licenses available and the rolling application windows, developers are looking to find locations now. Thus, it is important that we decide what we want to do now.
- ▶ City staff have been approached by prospective businesses.
- ▶ We need to either BAN or ZONE by January 1, 2020.
- ▶ Staff has created an ordinance designed to best balance the concerns (of the Act) with business friendly regulations.
- ▶ PZC recommended approval after Public Hearing held 10/10/19

Our Choices

NO ACTION IS NOT AN OPTION

- We need to either adopt zoning regulations or ban sales:
- No action by City Council would allow operations to locate in the City **by right**, with **no** conditional use permit requirement

Option 1: Ban cannabis businesses

- Our residents will still have a right to possess and use cannabis;
- Neighboring communities will allow it (and they will get the tax revenue);
- We will still have all of the costs, policing, and all other issues identified.

OR

Option 2: Approve zoning regulations

- We will have the costs and issues described, **but...**
 - ✦ We will allow for new retail and manufacturing uses;
 - ✦ We will have formal approval process through established conditional use procedures;
 - ✦ We will have strict regulation including location and site plan controls; and
 - ✦ We will have revenue generation through sales tax to help offset our increased costs

QUESTIONS?

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