



VILLAGE OF BURR RIDGE
MEMORANDUM

TO: Economic Development Committee (EDC)
Mayor Gary Grasso, Chairman

FROM: Evan Walter, Assistant Village Administrator

DATE: October 9, 2019

RE: Discussion Regarding Recreational Cannabis

At the request of the Board of Trustees, the EDC and Plan Commission were directed to prepare reports and forward recommendations to the Board regarding recreational cannabis uses in the Village. On June 25, 2019, Governor Pritzker signed HB 1438, the Cannabis Regulation and Tax Act, which legalized the sale, possession, and consumption of recreational cannabis by adults over 21, effective January 1, 2020. In response to the adoption of the Act, the Board of Trustees seeks recommendations from the EDC regarding the economic effects and impacts of recreational cannabis businesses potentially locating in Burr Ridge. This report is meant to provide information regarding recreational cannabis businesses as defined and regulated by the Act.

Questions for the EDC to consider include:

- If a dispensary were desired, what should the tax rate be set at?
- Would a Cannabis Business provide spillover effect (more or less people patronize other businesses in Burr Ridge due to its presence)?
- If a dispensary were desired, should the Village consider creating any incentives to attract such a use?

Legal Power	Local Authority
Legal possession of cannabis (with quantity restriction)	NO – Must Allow
Private consumption of cannabis (i.e. residences)	NO – Must Allow
Home grow of up to five plants by medical cardholders	NO – Must Allow
Cannabis consumption in public places (*exception listed below)	NO – State Prohibits
Delivery of cannabis products to the home	NO – State Prohibits
Consumption at schools, by minors, or in presence of minors	NO – State Prohibits
Limit the number of each Recreational Business	YES – Local Control
Create an Overlay District to allow for more specific land use control	YES – Local Control
Create custom separation requirements between sensitive uses	YES – Local Control
Outright ban on the establishment of businesses by ordinance	YES – Local Control
<i>If not banned</i> – enact zoning controls on businesses	YES – Local Control
<i>If not banned</i> – Tax cannabis at up to 3% beyond ordinary sales tax	YES – Local Control
<i>If not banned</i> – *Allow on-premises consumption of cannabis	YES – Local Control
Enact reasonable regulations of home grow by medical cardholders	YES – Local Control

A summary of legal powers available to the Village is listed in the previous table, with more detailed explanations as to the context of available and unavailable powers found throughout the staff report.

Background on Recreational Cannabis

Taxation and Revenue Mechanisms

Municipalities are empowered to levy a special local sales tax of up to 3.0% in addition to existing sales tax rates to the gross retail sales of recreational cannabis that occurs in their communities. For example, if a Recreational dispensary located in Burr Ridge generated \$1,000,000 in gross revenue, the Village would receive \$42,500 in sales tax (\$30,000 from the 3.0% special sales tax and \$12,500 from the local 1.25% sales tax, which presently exists). Local municipalities will not be restricted in how they are permitted to expend local sales tax revenues associated with the sale of recreational cannabis. Additionally, the Village will receive an annual payment from the State to assist in enforcing the Act regardless of whether a Recreational Business operates in the community. State and regional estimates typically assume that recreational marijuana sales will be higher in Illinois than other markets for recreational cannabis, such as Colorado, based on comparisons regarding population, income, tourism, and current patterns of usage. Staff has provided three for local sales tax generation based upon projections using data from Illinois, Colorado, and Washington State.

The first projection, performed by the DuPage Mayors and Managers Conference, assumes that the total demand in Illinois will “fit” into the limited number of dispensary licenses that will be granted by the State and forecasts **\$488,473** in local sales tax per dispensary.

The second projection uses the Illinois Economic Policy Institute’s (IEPI) estimation of a \$2 billion statewide recreational cannabis market by 2022. If all 240 retail licenses were issued and each establishment was operating at this time, this would equate to **\$354,167** in local sales tax per dispensary.

Finally, the State of Washington publishes detailed information regarding sales by individual suppliers and retailers. The State of Washington applies a 37 percent state excise tax and 5 percent local sales tax. Of the 387 active recreational dispensaries, the average dispensary generated \$2,750,000 in gross revenues, meaning that the average dispensary would generate **\$117,000** in tax revenue if it were located in Burr Ridge.

Types of Cannabis-Related Businesses

The six uses described below were specifically created for licensure by the Act. Any of the uses below may be prohibited or permitted and regulated by the Village as desired.

Dispensary. A facility that sells cannabis and cannabis-infused products, cannabis seeds, and paraphernalia to the general public and qualified medical cannabis patients. Recreational dispensaries are retail businesses similar to retail uses that are allowed in B-1 and B-2 Districts. Most retail businesses in the B-1 and B-2 Districts that are under 7,000 square feet in floor area are permitted uses. Based on experience from medical dispensaries and recreational dispensaries in other States, it is anticipated that dispensaries in Illinois will be less than 7,000 square feet.

The following uses are involved with the manufacture or processing of cannabis. Businesses involved in the manufacturing and processing of materials, products and goods and are restricted to the G-I General Industrial or the L-I Light Industrial Districts. Special uses in these districts are generally uses that include outdoor activity, retail sales or services, or have other unique attributes.

1. *Craft Grower*. Facilities which grow and package cannabis for sale at a dispensary. A craft grower may share a premises with a processor or dispensary and may sell or distribute cannabis to another cannabis-related business. A facility for a Craft Grower may not exceed 14,000 square feet in floor area.
2. *Cultivation Center*. Facilities which cultivate, process, transport, and perform other necessary activities to provide cannabis and cannabis-infused products to Recreational Businesses. This use is permitted to be up to 210,000 square feet in size per location.
3. *Infuser*. A facility that directly incorporates cannabis or cannabis concentrate into a product.
4. *Processor*. A facility that extracts constituent chemicals or compounds to produce cannabis concentrate or incorporates cannabis or cannabis concentrate into a product.
5. *Transporter*. Transports cannabis on behalf of a licensed Recreational Business. This use would likely have a cannabis storage component on their premises.

Phase	Potential Licensees	Application Open	Application Due	Grant Date	# of Licenses
1	Existing Medical Business	August 2019	March 2021	January 1, 2020	55
2	New Dispensaries^	October 2019	January 2020	May 1, 2020	75
Social Equity Study Period – Early 2021					
3	New Dispensaries	March 2021		December 2021	110
TOTAL RECREATIONAL LICENSES					240
^47 such licenses must locate in Chicago-Naperville-Elgin region as defined by the Bureau of Labor Statistics					

Zoning

Zoning and land use considerations are being concurrently considered by the Plan Commission. The Act states that municipalities may “enact ordinances to prohibit or significantly limit a [Recreational Business’] location.” Several land use restrictions were created in the Act:

- Recreational cannabis uses are prohibited in residential zoning districts.
- Retail dispensaries and craft growers may not be located within 1,500 feet of another retail dispensary.
- No cannabis advertisements may contain any statement or illustration that is false or misleading; promotes the overconsumption of cannabis; displays cannabis or an image of a leaf or bud; shows a minor consuming cannabis; makes health or medicinal claims about cannabis; or includes any image that is likely to appeal to minors.

Public Safety

The Act establishes regulations regarding recreational dispensary operations, including:

- Dispensaries may only operate between 6 A.M. and 10 P.M. (the Village could further restrict these hours).

- Dispensaries may only operate and sell cannabis when video surveillance equipment, point of sale equipment, and State's electronic verification system is operative, and there are two or more people working at a given time.
- Dispensaries may not sell any product containing alcohol (except for tinctures).
- Home delivery of cannabis is prohibited.

Driving under the influence of cannabis will continue to be illegal. The Act allows for use of roadside chemical tests or standardized field sobriety tests when conducting investigations of drivers suspected of driving under the influence of cannabis. The Village of Lombard has provided staff with research regarding the number of calls for police service at Medical Businesses. Lombard contacted 11 communities, including Addison, Naperville, and Oak Park; no community indicated that any Medical Business requested more than three calls for police service since the inception of the Pilot.

Staff requests direction from the EDC regarding the taxation, recruitment, and effects of Recreational Businesses in the community. The Board will consider the EDC's recommendation as part of its overall policymaking process at a later date.