



**WORK SESSION
RICHFIELD MUNICIPAL CENTER, BARTHOLOMEW ROOM
JULY 11, 2023
5:45 PM**

Call to order

1. Presentation, policy recommendations and discussion of the new adult use cannabis law, and edible cannabinoid products (ECP's)/low-potency edibles as it relates to city regulation.

Adjournment

Auxiliary aids for individuals with disabilities are available upon request. Requests must be made at least 96 hours in advance to the City Clerk at 612-861-9739.



STAFF REPORT NO. 24

WORK SESSION

7/11/2023

REPORT PREPARED BY: Jennifer Anderson, Support Services Manager

DEPARTMENT DIRECTOR REVIEW: Jay Henthorne, Director of Public Safety/Chief of Police
6/29/2023

OTHER DEPARTMENT REVIEW:

CITY MANAGER REVIEW: Katie Rodriguez, City Manager
7/5/2023

ITEM FOR WORK SESSION:

Presentation, policy recommendations and discussion of the new adult use cannabis law, and edible cannabinoid products (ECP's)/low-potency edibles as it relates to city regulation.

EXECUTIVE SUMMARY:

With the recent passage of adult use cannabis, staff will summarize the legislation relative to city regulation. Edible cannabinoid products (low potency edibles), the current moratorium and zoning will also be part of the conversation.

Staff will present a summary and recommendations for consideration by the City Council.

DIRECTION NEEDED:

Staff seek direction on edible cannabinoid product (ECP) licensing and moratorium, development of a moratorium on adult use cannabis, zoning for ECP's and adult use cannabis, number of adult use cannabis dispensaries allowed in Richfield, the hours of operation of dispensaries, and liquor store sales of ECP's/low-potency edibles, and THC seltzers.

BACKGROUND INFORMATION:

A. HISTORICAL CONTEXT

The City passed a moratorium in 2022, prohibiting the sale of ECP's until December 3, 2023.

The MN Legislature recently passed adult use cannabis with an effective date of August 1, 2023 for possession, use, home growth and decriminalization.

Legal sales of adult use cannabis are anticipated to begin early 2025 when the Office of Cannabis Management can license sellers. ECP's are already approved for sale to the public as of July 1, 2022.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

The City Council passed a moratorium on ECP's in 2022, which will expire on December 3, 2023.

City code addresses only medical cannabis, and not recreational cannabis.

The Office of Cannabis Management, a new state agency currently being established, will provide model ordinances for cities, as well as provide licensing and educational information.

C. CRITICAL TIMING ISSUES:

Possession, use, home growth and decriminalization take effect August 1, 2023

Legal sales aren't anticipated until early 2025.

D. FINANCIAL IMPACT:

The City is mandated by the new legislation to register and renew cannabis businesses, with fees set forth by the State. After October 1, 2023, the city will have a better idea as to how many businesses have registered to sell edible products.

Businesses wanting to sell edible cannabinoid products will need to register with the Minnesota Department of Health by October 1, 2023. Adult cannabis retailers and manufactures will be licensed by the Office of Cannabis Management, and registered with the City likely in early 2025.

E. LEGAL CONSIDERATION:

The City Attorney has reviewed the presentation and will be present for the work session.

ALTERNATIVE(S):

This is a staff presentation and recommendations to City Council.

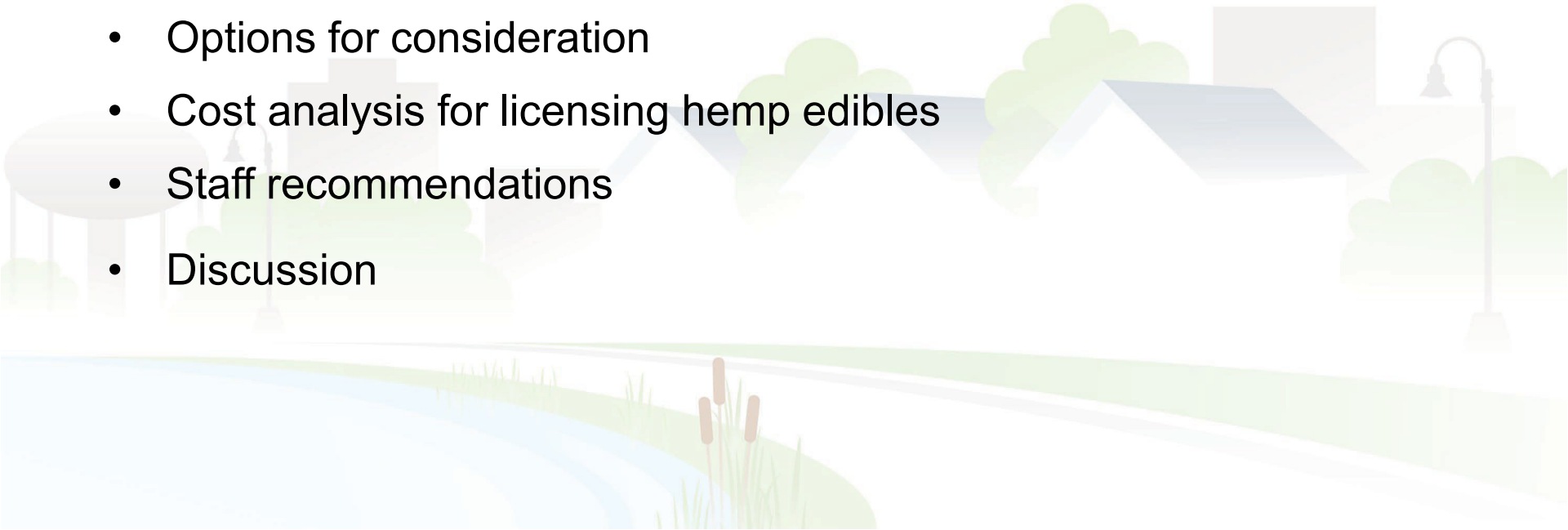
PRINCIPAL PARTIES EXPECTED AT MEETING:



Adult Use Cannabis Legislation and ECP's/Low Potency Edibles



Overview

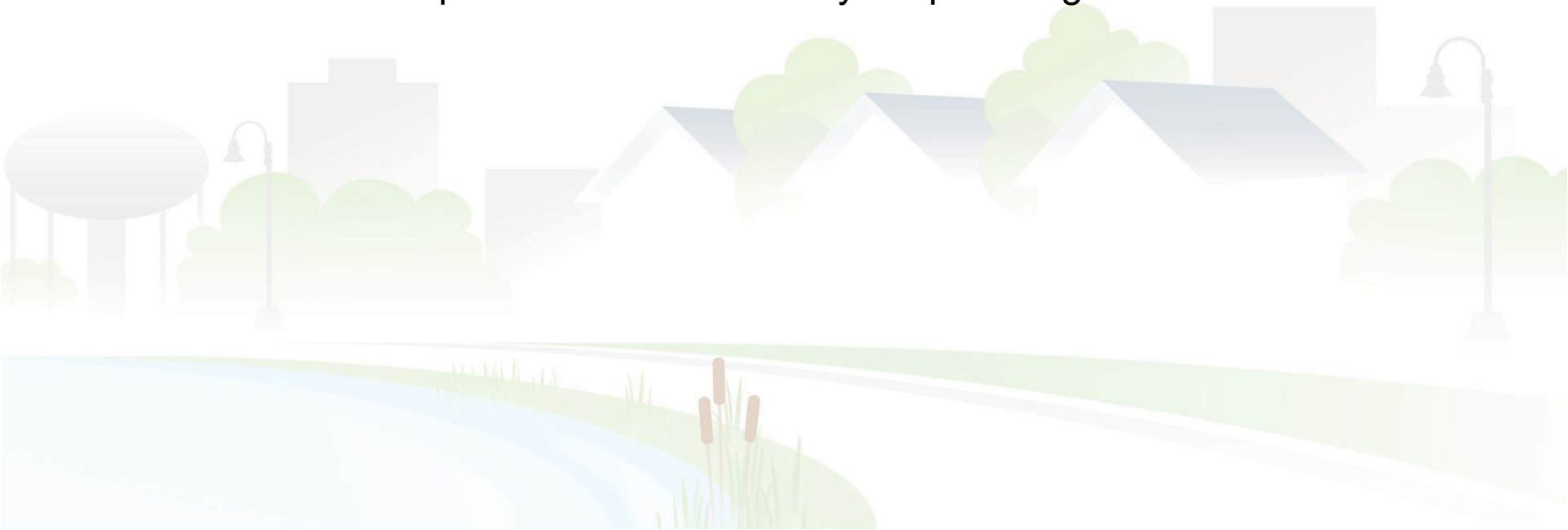
- City regulation of Adult Use Cannabis
 - Edibles
 - Liquor Stores
 - Zoning
 - Next Steps
 - Options for consideration
 - Cost analysis for licensing hemp edibles
 - Staff recommendations
 - Discussion
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City Regulation – Cannabis Businesses

- Office of Cannabis Management (OCM), established July 1st, will license, renew and regulate cannabis and hemp businesses.
- Cities can't prohibit operation of all cannabis businesses licensed by the State.
- Cities can adopt an interim ordinance (moratorium) to temporarily prohibit the establishment and operation of all cannabis businesses until January 1, 2025, while studying possible regulations.
- Cities can regulate distances from certain types of buildings/uses through zoning regulations (schools/daycares/treatment facility/public parks used by minors). Cities may be able to enact other zoning regulations (e.g., specific zones).
- Registration with city is required (\$500) as well as annual renewal (\$1000)
- The City can limit the number of retail cannabis businesses to one per 12,500 residents – currently unclear if this means 2 or 3 retail businesses. The Council could decide to allow more.

Cannabis Business Registration Process with City

- A cannabis business applies for a license through the OCM
- OCM consults city for zoning approval and feedback – Cities have 30 days to certify if a business complies with zoning, fire and building codes
- Cities issue registrations to certain cannabis businesses once a business receives a license from the OCM
- Cities conduct compliance checks and may suspend registrations if needed



“ECPs” – Gummies and Beverages

- Gummies and beverages (edible cannabinoid products or “ECPs”) with THC derived from the hemp plant have been widely available in Minnesota since July 2022.
- These products can be sold at retail establishments, including liquor stores, and can be sold for on-site consumption at businesses with on-sale liquor licenses. There is nothing in the law that limits the number of hemp/ECP/low-potency businesses allowed in a city.
- Sales in Richfield cannot occur until the current moratorium expires or is repealed. Cities are required to charge \$125 for registration and \$125 for renewal.
- The law addresses these products in two different places in order to provide a transition from the law amended in 2022 to the regulations that are being developed by the OCM. (ECPs will transition to “low-potency hemp edibles”)
- Eventually, businesses selling hemp products will need a license from the OCM.

ECP's and Liquor Stores

Exclusive liquor stores.

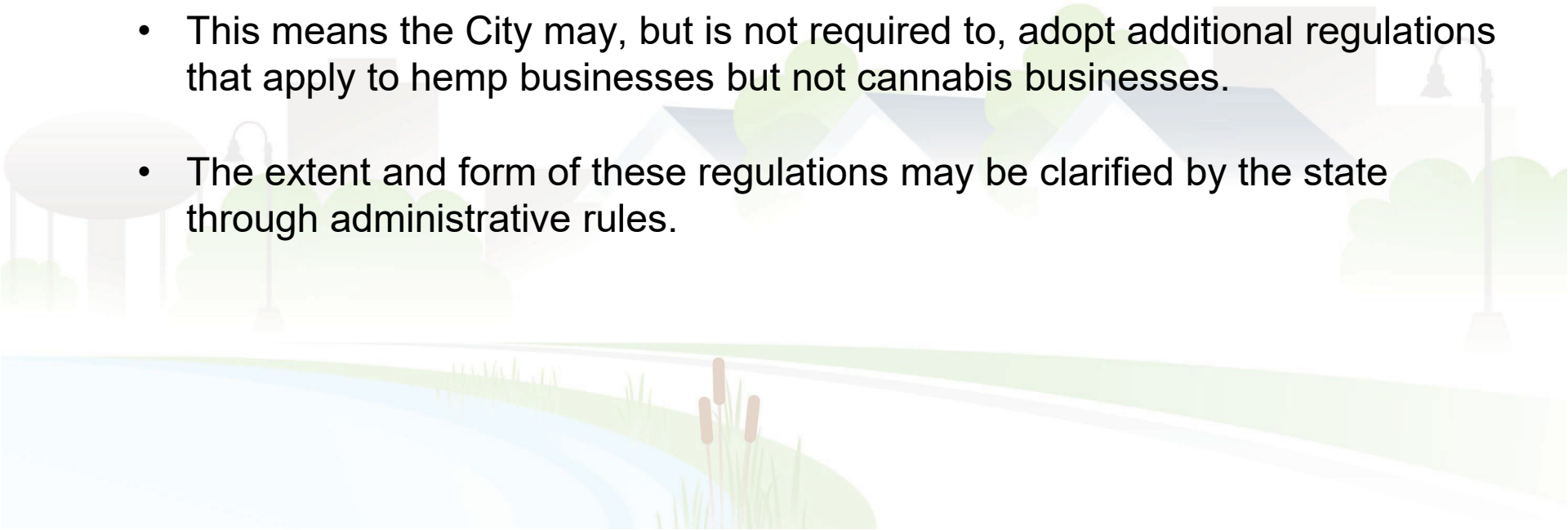
(a) Except as otherwise provided in this subdivision, an exclusive liquor store may sell only the following items:

- (1) alcoholic beverages;
- (2) tobacco products;
- (3) ice;
- (4) beverages, either liquid or powder, specifically designated for mixing with intoxicating liquor;
- (5) soft drinks;
- (6) liqueur-filled candies;
- (7) food products that contain more than one-half of one percent alcohol by volume;
- (8) cork extraction devices;
- (9) books and videos on the use of alcoholic beverages;
- (10) magazines and other publications published primarily for information and education on alcoholic beverages;
- (11) multiple-use bags designed to carry purchased items;
- (12) devices designed to ensure safe storage and monitoring of alcohol in the home, to prevent access by underage drinkers;
- (13) home brewing equipment;
- (14) clothing marked with the specific name, brand, or identifying logo of the exclusive liquor store, and bearing no other name, brand, or identifying logo;
- (15) citrus fruit; and
- (16) glassware.;
- (17) edible cannabinoid products as defined in section 151.72, subdivision 1, paragraph (f); and
- (18) products that detect the presence of fentanyl or a fentanyl analog.

(b) An exclusive liquor store that has an on-sale, or combination on-sale and off-sale license may sell food for on-premise consumption when authorized by the municipality issuing the license.

(c) An exclusive liquor store may offer live or recorded entertainment.

Hemp Products vs. Cannabis Products

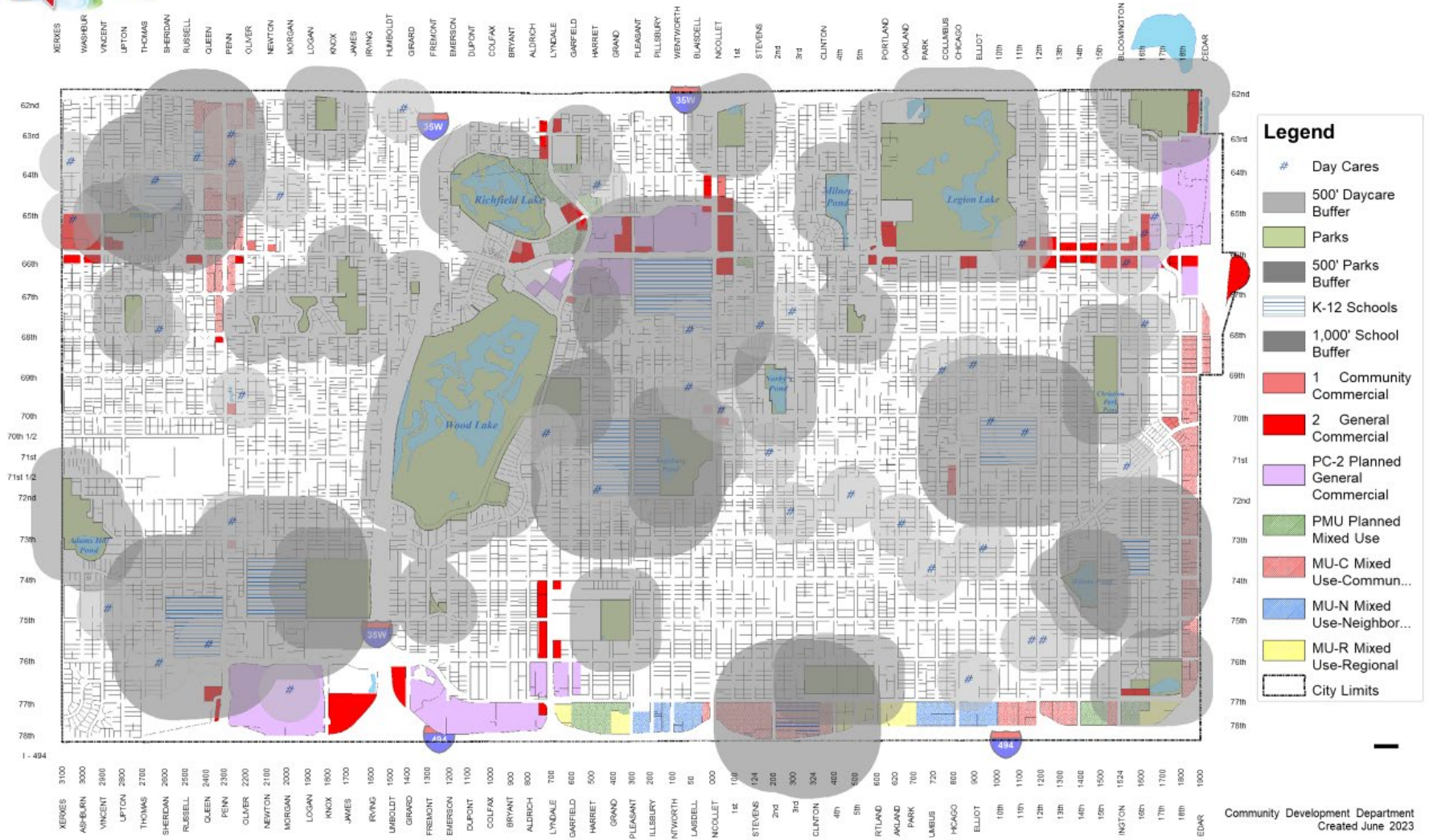
- Regulation going forward:
 - The new law treats businesses selling hemp products and businesses selling cannabis products separately.
 - Since hemp products are separate from cannabis products, businesses selling hemp products are not subject to the same regulations and explicit limits on city-authority to regulate that apply to cannabis businesses.
 - This means the City may, but is not required to, adopt additional regulations that apply to hemp businesses but not cannabis businesses.
 - The extent and form of these regulations may be clarified by the state through administrative rules.
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City Regulation – Cannabis and Hemp Businesses

- Cities can conduct a preliminary compliance check to ensure business follows operational requirements. Will require staff training.
- Cities can suspend registration for up to 30 days. OCM will review and can reinstate, suspend, revoke or levy penalties. Cities can reinstate registration if violation has been resolved. Cities can levy \$2,000 fine for registration violations.
- Cities must conduct compliance checks once a year addressing age verification, operational requirements and product limits. Will require staff training.
- Cities must conduct an additional unannounced age verification compliance check once each calendar year.



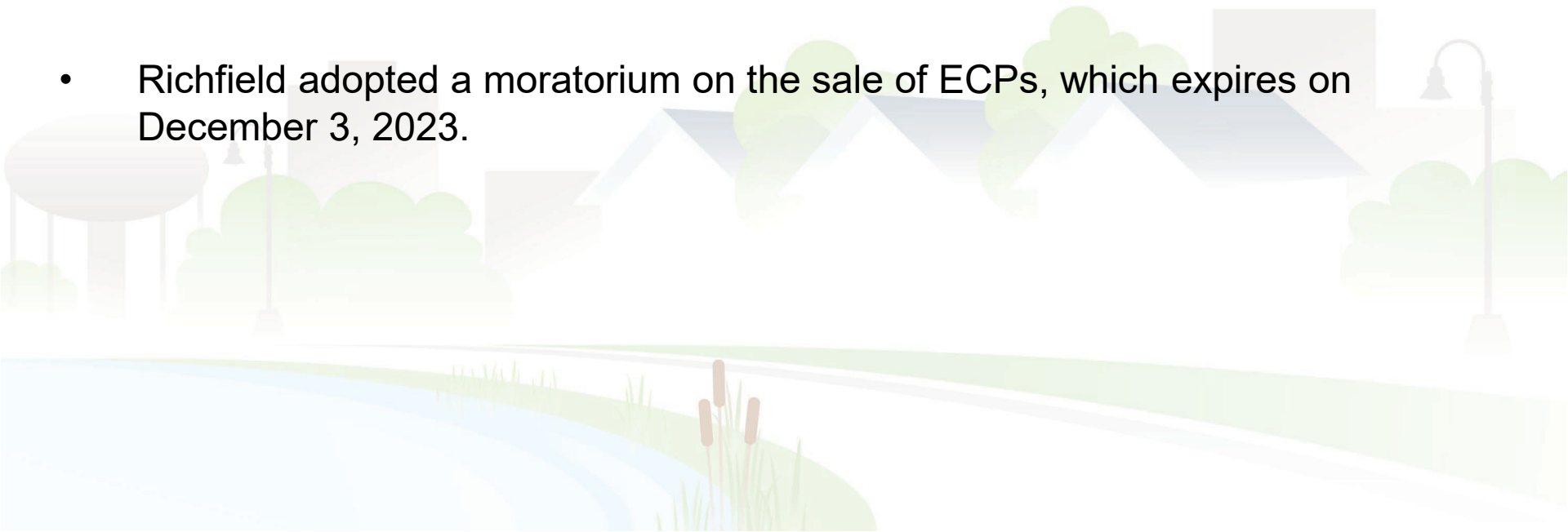
Cannabis Buffer Map



Next Steps

After the legalization of ECPs in 2022, most cities either:


- Adopted a moratorium of no longer than a year;
 - Licensed ECPs; or
 - Did nothing.
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- For those cities that didn't license ECPs or still have a moratorium in place, they will need to determine if its worth it to adopt licensing regulations for up to 20 months.
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- Richfield adopted a moratorium on the sale of ECPs, which expires on December 3, 2023.



Options for Council Consideration

1. **Do Nothing** – Repeal ECP moratorium and do nothing. ECPs can then be sold anywhere, and city wouldn't license or regulate. Sellers will have to register with MDH by Oct 1, 2023.
2. **ECP Licensing** – While the moratorium is still in effect, create and implement a licensing ordinance for ECPs that will be effective until the State begins issuing licenses or March 1, 2025.
3. **ECP Zoning** – While moratorium is still in effect, create and implement zoning regulations identifying locations/zoning districts where ECP sales may occur. Depending on OCM guidance, these may also apply to businesses with an OCM-issued license.
4. **Cannabis Business Moratorium** – Pass a moratorium on Cannabis Businesses which could be effective until Jan 1, 2025, to provide the City the opportunity to consider regulations on cannabis business operations. A moratorium will allow the city to review additional State regulations and guidance that will be drafted but are not yet available.

Cost analysis to license ECPs in Richfield

- Obtain a list of ALL businesses in Richfield, not just businesses we license
 - Identify 2 PD and 2 SS staff to complete inquiry of all businesses
 - Develop inquiry protocol and train staff
 - Divide city by Districts and assign staff
 - Complete inquiry with all businesses in 2 weeks
 - Compile data
 - Educational information developed for businesses re: registering with MDH by 10/1/23
 - Total cost: \$10,900
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- A decorative background illustration at the bottom of the slide. It features a light blue river or stream on the left, a green grassy bank with some reeds, and a stylized cityscape with buildings and trees in shades of green and grey. A street lamp is visible on the right side.

Staff Recommendations

Based on the State level licensing regulations of cannabis businesses and low-potency hemp edibles and the cost of identifying businesses and implementing temporary licensing locally, staff recommends:

- The ECP moratorium be lifted, and the City not license retailers or restrict via zoning, businesses that want to sell ECPs.
- Consider zoning regulations of adult use cannabis businesses (schools/daycares/treatment facilities/public parks used by minors)
- After August 1, 2023, consider the adoption of an ordinance establishing a petty misdemeanor offense for a person unlawfully using cannabis flower, cannabis products, or LPHE in a public place. Aligns with no tobacco/alcohol in parks.
- Adopt a moratorium on Cannabis Businesses until January 1, 2025. The moratorium will allow the City to take time to better understand the new legislation, have staff trained on compliance requirements, and study the issues associated with this new registration/licensing arrangement while developing potential new land use regulations. Another benefit of a moratorium is to allow the State to develop and issue administrative rules and model ordinances which will be distributed to cities for use in creating their own regulations.

Council Discussion and Questions

Thank you

