

## Cannabis Update

<b>Date</b>	June 2, 2021
<b>To</b>	Executive Committee
<b>From</b>	City Manager's Office
<b>Service Area</b>	People and Transformation
<b>Item No.</b>	EX21-41

### RECOMMENDATION

---

The Executive Committee recommends that City Council:

1. Remove CR18-11 from the List of Outstanding Items for City Council.
2. Approve these recommendations at its June 9, 2021 meeting.

### ISSUE

---

Since the legalization of cannabis in 2018 and City Council's approval of the planning and zoning regulations for cannabis retail stores, City Council requested reports on the impact of cannabis retail stores on the black market, the impact of legalization on the economy and how the cannabis zoning regulations are working. This report provides an update on all three fronts.

### IMPACTS

---

There are no policy, strategic, financial, environmental, risk/legal or other implications related to this report.

## **OTHER OPTIONS**

---

There are no other options.

## **COMMUNICATIONS**

---

Administration will provide notice of this report to the owners of existing cannabis stores in Regina, applicants for new cannabis store development permits and the Saskatchewan Liquor and Gaming Authority (SLGA).

## **DISCUSSION**

---

### **Background**

In 2018 the federal government legalized the recreational consumption of cannabis and allowed the provinces to regulate how cannabis would be sold within each jurisdiction.

Appendix A summarizes the responsibilities of each level of government related to the legalization framework.

In Saskatchewan, the province passed legislation prohibiting the public consumption of cannabis. This means cannabis may only be consumed on private property. Wholesaling and retailing of cannabis are regulated by SLGA. Only businesses with a retail licence from SLGA can legally sell cannabis in Saskatchewan. Municipalities are responsible for the land use and zoning rules which apply to the licensed retail outlets. City Council amended the former *Regina Zoning Bylaw No. 9250* to regulate cannabis retail and production.

To monitor the new cannabis retail use introduced into the community, City Council passed the following motions in 2018:

1. That Administration, in conjunction with the Regina Police Service, report on the effects of the six locations on the black market and help determine if six is enough to significantly disrupt this market within two years of legalization. *February 26, 2018 CR18-11 Cannabis Legalization – Municipal Preparedness Plan*
2. That Administration bring forward a report to City Council, 18 months after Federal legislation is in effect, to determine how the application of land use with respect to cannabis zoning regulations is working and explore any recommendations associated with it. *March 28, 2018 CR18-49 Zoning Bylaw Amendment (18-Z-09) Cannabis Zoning Regulations*

The reports in response to these motions were subsequently deferred to 2021 due to managing the priorities of the pandemic.

In response to the Province's September 2020 decision to remove the six-cap limit for cannabis retail stores, a report with minor zoning changes was brought forward in July 2020. Administration committed to return to Council in 2021 with a more comprehensive update on cannabis, which would combine the above motions into one report and include the following additional motion:

3. That the cannabis report that is due in 2021 include an economic impact of legalization of cannabis. *July 29, 2020 CR20-67 Regina Planning Commission: Cannabis Retailers – Zoning Amendments*

### **Cannabis Use**

In April, Statistics Canada released the results of a three-year study on cannabis use since legalization. The study *Looking back from 2020, how cannabis use and related behaviours changed in Canada* found that by late 2020 one in five Canadians (or 20 per cent) reported having used cannabis in the past three months, which was higher than the 14 per cent reporting use before legalization and the 18 per cent reporting use in the first few months after legalization. Compared to the rest of Canada, Saskatchewan residents had lower-than-average use at 13.9 per cent.

The study notes that the pandemic may be contributing to the changes. An earlier study released in March 2021 found that one in three Canadians (34 per cent) reported their consumption had increased compared with the pre-pandemic period.

Additional information on cannabis use in Canada before and after legalization is contained in Appendix B.

### **Black Market and Current Retail Market**

One of the federal government's core objectives for legalization was to shift sales away from the black market and organized crime. The two other objectives were to protect public health and safety by allowing adults to access cannabis legally while keeping it safely out of the hands of young people.

In 2016 the federal Task Force on Marijuana Legalization and Regulation & Legalization reported that the illegal trade was worth \$7 billion in annual income to organized crime. According to the April 2021 Statistics Canada study, legalization has made a significant dent in that market. More Canadians are obtaining cannabis legally, with about 68 per cent of consumers reported obtaining at least some of their cannabis from a legal source in 2020. This is substantially higher than the 23 per cent before legalization in 2018 and the 47 per cent just after legalization in 2019.

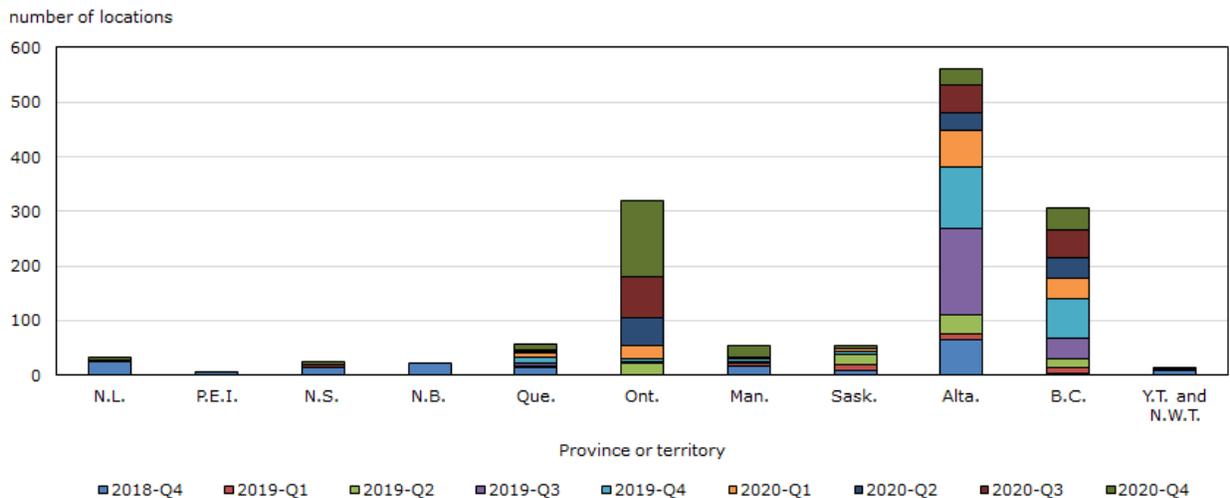
Statistics Canada data also shows that household spending on unlicensed cannabis has declined in every year since legalization from \$1.2 billion in 2018 to \$714 million by the end of 2020.

Displacing the black market further, according to industry experts, will depend on the extent to which the legal market can offer a better cost, location and supply.

In 2020 Statistics Canada reported that price disparities remain as the average price of legal cannabis increased from \$9.69 per gram in 2018 to \$10.30 per gram at the end of 2019. The average price of illegal cannabis fell from \$6.44 per gram in 2018 to \$5.73 per gram in 2019.

Canadians' ability to access legal cannabis has improved with the number of stores increasing eightfold since legalization (from just 182 stores in 2018 to 1,445 stores in 2020). The Statistics Canada chart below shows the growth of legal cannabis stores by province from 2018 to the end of 2020.

**Appendix Figure 1**  
**Number of legal cannabis stores added each quarter and by jurisdiction, Canada, fourth quarter of 2018 to fourth quarter of 2020**



**Notes:** The data presented were the most complete available at the time of analysis. Counts are subject to multiple revisions at monthly, quarterly and annual intervals. Some provincial and territorial counts include e-commerce-only entities. There are no retail stores operating in Nunavut. Between the fourth quarters of 2018 and 2020 the number of legal cannabis stores increased nearly eightfold from 182 to 1,445. The corresponding data table is available in the HTML version of this article.  
**Source:** Statistics Canada, Business Register.

According to industry analysts, access to legal cannabis issues remain with companies being restricted in their efforts to open new stores. The general rule for a mature market is about one store for 10,000 people. This means Regina, with its population of 239,497, would need to host roughly 24 stores to ensure a healthy business environment to disrupt the black market. There are currently 11 licensed stores in Regina. There are also 11 applicants with approved development permits from the City, who are awaiting final approval from SLGA. In addition, there are four development permits under review by the City.

Appendix C shows the populations of eight western Canadian cities along with their per capita store count.

## **Economic Impact**

Legalization appears to have had a significant economic impact across the country. Statistics Canada reports that in 2019 Canada's cannabis industry represented \$7.24 billion to the country's gross domestic product (GDP). The legal cannabis market represents \$3 billion of economic output to Canada's GDP, an increase of 138 per cent from 2018 when cannabis was legalized.

In Saskatchewan, total cannabis sales in 2018-19 were approximately \$38 million. They almost doubled to approximately \$70 million in 2019-20. While final numbers for the 2020-21 year were not available at the time of writing, the government reported sales of \$91.8 million from April 1 to December 31, 2020. These figures include the excise duty but exclude sales taxes.

The provincial government does not track the six per cent PST by sector so total tax cannabis revenues are not available. For the excise tax, the government received \$1.8 million in 2018-19, \$7.6 million in 2019-20, and the estimate for 2020-21 is \$13.5 million.

The excise tax is paid by licensed cannabis producers when their products are purchased: the federal government retains 25 per cent of the money up to \$100 million a year. The remaining 75 per cent is given to provinces and territories, which have the option to pass it along to municipalities. The Federation of Canadian Municipalities has been lobbying the federal government for a share of the cannabis tax revenue for local governments.

Alberta, Ontario and Quebec have started passing along a portion of the excise tax revenue to local governments.

## **Zoning Regulations**

In setting the rules under the Zoning Bylaw, the City opted not to treat cannabis stores like other liquor or general retail stores<sup>1</sup>. Instead, it separated cannabis retail sales from existing retail trade categories and applied a stricter set of rules.

**Zones.** In Regina, liquor and other general retail stores can operate in 13 zones – four mixed-use zones, three industrial zones and six direct control districts. In contrast, cannabis stores are allowed in less than half of those zones – two mixed-use zones, one industrial zone and three direct control districts.

---

<sup>1</sup> General retail stores fall under the "Retail Trade, Shop" category of the Zoning Bylaw, which provide for the sale or lease of food, beverages, goods, products, merchandise, articles or things to members of the general public but used or consumed off-site. It includes grocery stores, butcher shops, delicatessens, bakeries, candy shops, convenience stores, pharmacies, liquor stores/off-sale, antique shops, home improvement centres, furniture stores, home appliance stores, and carpet and drapery stores. It excludes "Retail Trade, Cannabis", "Retail Trade, Adult", "Retail Trade, Outdoor Display" and "Retail Trade, Outdoor Lot" categories, which operate under different sets of rules.

**Separation distances.** While other liquor and general retail stores are not subject to any separation distances from other land uses, outside of the downtown cannabis stores must not set up within 182.88 metres (or about the length of one block plus typical road right-of-way) of identified sensitive land uses or another cannabis store<sup>2</sup>. This was to address concerns about young people accessing, or being influenced by, cannabis sales and to prevent a clustering of retail outlets in any one area of the city. Within the downtown, cannabis stores are to be separated from each other by 182.88 metres and not separated from the other land uses referenced above.

In adopting the separation distances, Council approved a reciprocal buffer zone, which means that schools, parks, daycares, enclosed rinks, libraries and community centres cannot set up within 182.88 metres of an already established cannabis store.

Appendix C provides a summary of the separation distances other cities use for cannabis stores.

The current zoning rules in Regina impose barriers to potential shop owners due to the minimum separation distances required, the limited zones that permit the use, and the absence of any discretion to consider the unique aspects of individual sites. This has left potential store owners frustrated with the limited options as expressed by customers to the City through permit reviews or preliminary reviews of sites, as well as service requests.

Based on challenges with the zoning regulations to date, in combination with conclusions about impacts of legalization on the black market and economy, potential amendments to the Zoning Bylaw will be considered in a subsequent report to Council later this year following a stakeholder and community consultation process.

### **Other Impacts**

With the exception of the impact in administering the zoning rules for cannabis stores, there has been no other impact on the City or police operations.

An October 2019 Regina Police Service Board of Police Commissioners' report titled *Cannabis: One year later in the City of Regina*, noted that:

*After the first year following the legalization of cannabis, the Regina Police Service (RPS) has not seen:*

- *Increased rates of impaired driving;*
- *Notable increases in the number of youths consuming or being charged with possession of excessive amounts of cannabis or;*

---

<sup>2</sup> The sensitive land uses that must be separate from cannabis stores are places frequented by youth and other cannabis stores. They are defined in the Zoning Bylaw as Institution, Education (schools), Open Space, Active (parks), Institution, Day Care (daycare centres), Institution, Community (enclosed rinks, public libraries and community centres) and Retail Trade, Cannabis (cannabis stores).

- *Increases in workplace issues relating to the use of cannabis by sworn or civilian police personnel.*

The Regina Police Service's Year-End Crime Statistics Comparison 2011-2020 noted an increase in impaired operation by drugs from 15 offences in 2019 to 52 offences in 2020. Although some of these incidents involved cannabis, the majority of them involved other drugs or a combination of drugs and alcohol.

According to a Statistics Canada's study on police-reported crime statistics in 2019, there has been a rise in drug-impaired driving rates across the country, though the majority of impaired driving incidents continue to predominantly involve alcohol.

Other factors that may have influenced the 2020 increase include new legislation that came into force in 2018 that provides officers greater authority to perform alcohol and drug screening, having more officers qualified to conduct drug screening evaluations, and changes in crime and social disorder related to the COVID-19 pandemic.

Fire & Protective Services, Service Regina and Bylaw Enforcement were also consulted in the preparation of this report, and all reported no impacts after legalization.

## **DECISION HISTORY**

---

On August 28, 2018, City Council passed *Bylaw 2018-14, The Regina Zoning Amendment Bylaw, 2018 (No. 18)* to incorporate land use regulations regarding cannabis retail stores.

On July 29, 2020, City Council approved amendments to *The Regina Zoning Bylaw, 2019 (No. 2019-19)* to clarify that applicants for cannabis retail stores must provide confirmation that they have been pre-approved by SLGA for a cannabis license before applying to the City for a development permit (CR20-67).

The recommendations contained within this report require City Council approval.

Respectfully Submitted,



Louise Folk  
Executive Director,  
People & Transformation

Respectfully Submitted,



Chris Holden  
City Manager

Prepared by: Donna Mitchell, Corporate Strategy & Performance Consultant  
Michael Cotcher, Senior City Planner

**ATTACHMENTS**

- Appendix A - Federal, Provincial and Municipal Responsibilities
- Appendix B - How Cannabis Changed in Canada - 2018 to 2020
- Appendix C - Jurisdictional Comparison