



## **Memo**

To: Honorable Mayor Armitage; City Council

From: City Manager LaPere, MPAP

Date: January 5, 2023

Re: Commercial Marihuana Licensing

### **Background**

At the workshop meeting held in October 2022, Council continued the discussion from 2021 regarding commercial marihuana licensing. At that time, Council requested Administration conduct research, including contacting similar communities who have opted-in to understand their experiences, economic development benefits, public safety impacts, etc. Administration has reached out to contacts at a variety of communities and representatives at the state from the Cannabis Regulatory Agency (CRA). A summary of those findings and recommendation from Administration is below.

For the January 12<sup>th</sup> workshop, Attorney Revore will also be present to provide his legal expertise on this matter and an overview of the regulatory framework.

### **Communities**

At the end of 2022, the City reached out to a half a dozen similar-sized communities in the state. This was in addition to the outreach efforts we had made in 2021. We have attempted to contact those who are close to Charlotte in size/population/geography, but also sought input from those with differing programs/licensing models. Of those we've made contact with, the primary feedback has been positive for the commercial licensing programs. One community was required to adopt language from a petition referendum initiative, and their biggest hurdle was that it forced the community to act before it felt prepared to undertake the program. Overall, the general "best practices" or suggestions shared have been to be intentional with zoning to ensure the licenses are being permitted in the best areas for the use; utilize a calendar year/application period to reduce administrative burden; allow for vertical integration of facilities; and strongly consider odor issues related to grow operations.

In general, at the local level the police, fire, and building code personnel are all responsible for initial and ongoing inspections for their respective safety and compliance areas, and the administrative staff are responsible for processing applications and issuance of licensing. There

are additional application/licensing reviews and inspections, and ongoing oversight conducted by the state.

None of the communities we spoke with expressed significant public safety issues directly related to the commercial operations. By far, the biggest complaint is odor of grow facilities. Some communities reported issues with marijuana products being more common in schools.

The communities we spoke with observed that the grow operations seem to be focused on larger-scale industrial/ag areas and not within city limits. In fact, one community is considering removing grow licensing altogether because they have not seen any facilities apply and open in the time they've been permitted.

Regarding the economic impacts, the communities reported they have seen commercial property values/sales increase, especially those being marketed as commercial marijuana facilities. However, given the overall real estate market the past few years, it's difficult to directly tie any increases to one industry. Most communities report more indirect benefits, such as previously vacant or blighted buildings and properties being redeveloped and back in active use. All the communities noted they have experienced very minimal code enforcement/property maintenance complaints with these properties, which may be attributed to the highly regulated nature of the use. For retail use, the city can expect some excise tax sharing from the state, but the amount is variable. One community reported they dedicate those revenues to support recreational projects. One other item to note, licensing fees are \$5,000 per license, not per facility, so the applicant is required to apply, pay, and be approved for each requested license type. This will defray the costs of administering the program but overall, the direct net-revenue is reported by communities minimal. The communities report they have adopted these regulations in response to community support for the commercial use, not as a revenue generating mechanism.

None of the communities we spoke with have permitted on-site consumption or event licensing.

### **LARA/Statewide Trends**

From a purely economic standpoint, the state reports the most significant revenue enhancement for municipalities comes from the retail sector of the industry. While prices are down, the volume of sales remains strong and most retail operations are doing very well. Additionally, the new CRA director wants to refocus some of the agency's effort toward black market products, with a goal of ensuring success of the legitimate commercial enterprises and improving the safety of the product for the user.

The representative from CRA also noted that grow operations are not being seen as an area for more licensing, not just from a revenue standpoint, but that they are expecting serious consolidation and contraction in that sector. He predicts that a lot of grow operations are probably going to go out of business and/or consolidate in the next year or two. He said they also get a lot of complaints about the odor. His take on the future of the market is that that retail

outlets, especially in 'underserved' areas will fare better than grow operations as the industry settles down.

### **Administration Recommendation**

The other piece of information Administration reviewed was the City of Charlotte voting results for the two initiatives that were placed before the voters in 2008 and 2018. The medical marijuana proposal received 2,343 yes and 1,545 no votes, or 60.3% in favor. The recreational marijuana proposal received 2,012 yes and 1,445 no votes, or 58.2% in favor. While a yes vote does not clarify whether the voters were in favor of decriminalization and commercialization broadly, versus allowing commercial activity such as a retail store in the city limits, it is clear there is general support among the voters of Charlotte.

If there is consensus among Council to permit these commercial licenses/uses, I recommend we focus on the following:

- Permitting retail, testing/compliance, and transporting type licensing.
- Consider whether event licensing would complement Charlotte's recent efforts to be known as an event-filled community
- Dedicate excise tax revenues to special/recreational/similar projects as those revenues will continue to be unpredictable and are not a dependable source of revenue for city services.
- Review the city's current zoning to consider an overlay district or similar method for well-planned locations of the uses. This includes limiting retail use to the commercial areas, considering whether to exclude the Central Business District, proximity to schools and parks, etc.
- Administration review and recommend proper timelines for staffing and administering the licensing program.

Based on all the feedback from the state, our neighboring communities, and the predictions for the market across the state I would not recommend we permit standalone grow facilities. This is based on the concerns about the long-term growth of that sector, lack of available industrial zoned land in the city, and the consistent odor control concerns raised. Altogether, the grow facilities do not seem like good fit for land use in the city, and there is demonstrably more than adequate land available in the surrounding area's rural townships to support that sector of the market.

### **Additional Resources**

Below are a list of links/resources that Council may find helpful to read through as they consider this issue. And, here is the link to the materials previously shared at the October 2022 workshop: <https://www.charlottemi.org/city-council-workshop-meeting-thursday-october-13-2022-700-p-m/>

Additionally, the CRA has announced it will be hosting a statewide summit for municipalities via Zoom on January 30<sup>th</sup> from 10a to 12p. Any Council members who would like to attend should let me know by January 22<sup>nd</sup> so we can get all those interested registered.

- CRA Municipal Guide (March 2022 version) <https://www.michigan.gov/cra/-/media/Project/Websites/cra/Laws-Rules-Other-Resources/705502---Municipal-Guide.pdf?rev=0cf0e2d6348e414ab0319f7aac25a30&hash=85664292D81FFD83C18D7D4319C97597>
- CRA informational videos: <https://www.michigan.gov/cra/resources/video-library>
- CRA repository of laws/rules/etc: <https://www.michigan.gov/cra/laws-rules-other>
- Other informational links, news stories, etc:  
<https://www.mlive.com/cannabis/2023/01/black-market-battles-plummeting-prices-a-look-at-michigan-marijuana-in-2022.html>

<https://www.salestaxhandbook.com/michigan/marijuana>

<https://www.taxadmin.org/assets/docs/Research/Rates/marijuana.pdf>

[http://www.legislature.mi.gov/\(S\(uzdzdvkvhocpj34pwhs1dwq\)\)/mileg.aspx?page=GetObject&objectname=mcl-333-27964](http://www.legislature.mi.gov/(S(uzdzdvkvhocpj34pwhs1dwq))/mileg.aspx?page=GetObject&objectname=mcl-333-27964)

<https://www.michigan.gov/treasury/about/index-of-press-releases/2021/press-releases-march-2021/treasury-first-adult-use-marijuana-payments-distributed-to-michigan-municipalities-counties#:~:text=March%204%2C%202021&text=This%20week%2C%2038%20cities%2C%20seven,and%20microbusiness%20within%20its%20jurisdiction.>

<https://www.cnbc.com/2022/12/09/marijuana-industry-sales-slowdown.html>