

Update on Cannabis Legalization

EXECUTIVE SUMMARY

On 2017 June 02, the Government of Alberta launched its public consultation on the provincial response to the Government of Canada's Bill C-45: An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts (The Cannabis Act). The Government of Alberta conducted public engagement over 2017 June and 2017 July. The responses received through provincial engagement served to inform the Draft Alberta Cannabis Framework released 2017 October 04. Albertans were given the opportunity to provide comment on the draft framework until 2017 October 27 and on 2017 November 16 the Government of Alberta tabled Bill 26: An Act to Control and Regulate Cannabis. The provincial framework and federal legislation will have significant implications on the establishment of municipal regulations, policies and procedures. This report provides an update on ongoing advocacy to the provincial and federal governments and information about Administration's approach to the legalization of recreational cannabis in Calgary given the proposed provincial and federal regulations.

ADMINISTRATION RECOMMENDATION:

That the Intergovernmental Affairs Committee receive this report for information.

PREVIOUS COUNCIL DIRECTION / POLICY

At its 2017 July 24 meeting, Council approved Administration's and Intergovernmental Affairs Committee's recommended responses to provincial engagement contained in Report IGA2017-0586. The response included: support for a privatized framework for retail cannabis sales, contingent upon the sharing of tax revenues with municipalities, advocacy for timely decisions by the provincial government to facilitate City processes, and advocacy for funding to support Calgary Police Service's role in legalization. A summary of The City's Advocacy Positions and comparisons to the proposed Federal and Provincial legislation is provided in Attachment 1.

At its 2017 May 04 meeting, the Intergovernmental Affairs Committee approved Administration's recommendations contained in Report IGA2017-0427. Recommendations included: allowing the continued use of the advocacy positions on cannabis legalization for ongoing discussions with the federal and provincial governments; directing Administration to report back on the progress of discussions with the Government of Alberta; and directing Administration to report back with recommendations on the necessary amendments to municipal bylaws and policy changes required to implement the legalization of cannabis.

At its 2016 November 03 meeting, the Intergovernmental Affairs Committee approved Administration's recommended advocacy position on the legalization and regulation of cannabis in Report IGA2016-0737. Recommendations for advocacy included: engaging municipalities throughout the legalization process, municipal authority and flexibility in the areas of business licensing, planning policy and nuisance factors, restriction of residential growing and discussing sharing federal tax revenues across all three orders of government.

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BACKGROUND

On 2017 April 13, the Government of Canada introduced Bill C-45, The Cannabis Act, which, subject to parliamentary approval, will legalize and regulate recreational cannabis in Canada by no later than 2018 July. In 2017 May, the Government of Alberta formed the Alberta Cannabis Secretariat (ACS) as a central office to coordinate the provincial response to legalization. Subsequent to engagement held over the summer the ACS released a draft cannabis framework for Alberta on 2017 October 04. The draft framework remained open for input until 2017 October 27.

On 2017 November 10 the Government of Canada proposed an excise duty framework for cannabis products not to exceed \$1.00 per gram, or 10 per cent of the producer's sale price of that product, whichever is higher, with this tax room divided equally between the province or territory and the federal government. The Goods and Services Tax (GST) will also be applied. There is no mention of municipalities in the tax proposal.

To support implementation of the proposed Cannabis Act, Health Canada released its proposed approach to the regulation of cannabis on 2017 November 21. The Government of Canada is asking for public input on the detailed regulatory proposals until 2018 January 20. City Administration is currently reviewing the approach for impacts to The City and its role in cannabis regulation.

On 2017 November 14 the Government of Alberta introduced Bill 29 - An Act to Reduce Cannabis and Alcohol Impaired Driving that establishes new provincial sanctions for cannabis-impaired and cannabis/alcohol-impaired driving offences. On 2017 November 16 the Provincial Government tabled Bill 26 which further clarified the roles of provincial and municipal governments in Alberta. With the new legislation, the Government of Alberta has proposed:

- A minimum age of 18 to purchase and consume cannabis.
- A public possession limit for adults of 30 grams.
- The ability to grow up to four cannabis plants at home for personal use.
- Provincial oversight and regulation of wholesaling and distribution of cannabis products through the Alberta Gaming and Liquor Commission (AGLC).
- Privately owned and operated cannabis retail stores.
- Restrictions on retail locations selling alcohol, tobacco or pharmaceuticals together with cannabis.
- Standard provincial setback distances and hours of operation.
- Online sales exclusively through the Government of Alberta.
- Provincewide restrictions on where cannabis can be used in public, with an emphasis on protecting children and limiting second-hand exposure.
- Though cannabis cafes and lounges will not be permitted on July 1, 2018, the proposed legislation also gives the authority to regulate these forms of establishments should the provincial government decide to allow them at a later date.

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Bill 26 sets out a framework for privatized retail stores and provides municipalities the authority to further restrict the public consumption of cannabis. Because recreational cannabis retail stores will be privately operated it will be necessary to establish a comprehensive municipal regulatory framework to accommodate these types of businesses. Private cannabis retail businesses were considered when drafting the public research and engagement plans and Administration will be able to utilize public engagement when drafting bylaw amendments. In 2018 February proposed Land Use Bylaw amendments will be brought to the SPC on Planning and Urban Development that would facilitate new cannabis stores, see Attachment 3 for the anticipate timeline. The other areas that the provincial and federal governments had indicated would be subject to municipal oversight, such as public nuisance aspects and business licensing, have also been included in the ongoing public research and engagement.

In 2016, in anticipation of pending legalization, Administration established a working team of Subject Matter Experts (SMEs) from across the organization, including representatives from Intergovernmental & Corporate Strategy, Law, Planning & Development, Calgary Neighbourhoods, Calgary Community Standards, Calgary Transit, Human Resources, the Calgary Fire Department and the Calgary Police Service. This group identified issues of concern and potential impacts of legalizing cannabis to The City of Calgary, which formed the basis of The City's participation in the Task Force engagement and the development of advocacy positions that were approved by the Intergovernmental Affairs Committee in 2016 November. These advocacy positions, as well as further direction from the Intergovernmental Affairs Committee in 2017 July, were used to inform The City of Calgary's responses to the Government of Alberta's online engagement in the summer of 2017, and the draft Alberta Cannabis Framework that was released on 2017 October 4. In addition to providing formal written submissions to provincial engagements, The City has had direct conversations with the Government of Alberta through the ACS and other provincial relationships.

Along with providing updates and recommendations to Council through IGA Committee, on 2017 February 06, Administration organized a Strategic Meeting of Council to provide information and insight about cannabis legalization.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Administration continues to work closely with representatives from the ACS and other municipalities and organizations across Alberta to provide input on provincial regulations. Administration has also been working with national organizations such as the Federation of Canadian Municipalities to influence federal decisions and share information and strategies with other municipalities across Canada with respect to cannabis legalization. Members of Administration have also taken part in local, national and international seminars and conferences on cannabis and have been working with representatives from local governments in Canada and the United States to establish best practices and lessons learned.

City Administration has a program of extensive public engagement and statistically valid research currently underway which is expected to be completed by 2018 January. This information will be used to inform potential bylaw amendments in the areas where The City will have the authority to regulate. Results of the engagement and research will be shared with Council when available in early 2018.

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In 2017 October, the Calgary Police Service (CPS) formed a Drugs & Opioids Strategy Enforcement (DOSE) sub-committee on cannabis legalization. This committee will provide recommendations to the CPS Executive on the implications of legalization to the Service for the following:

- Police powers
- Human resources (recreational cannabis only)
- Partner alignment, information sharing and collaboration
- Traffic safety
- Cannabis related data, intelligence gathering, monitoring and reporting
- Public education and awareness on cannabis for the public and members
- Managing public safety around grow operations (medicinal/recreational)
- Targeting/enforcement of black market production and trafficking

Although some details are outstanding, proposed federal and provincial legislation and regulations have been tabled. These proposed regulations have been beneficial in clarifying the municipal role in the legalization of cannabis. Based on the information currently available, the role of municipalities in Alberta will be primarily based around:

- Location and regulations for cannabis businesses – the Government of Alberta has determined that retail cannabis stores will be privately operated.
- Public consumption – provincial legislation sets minimum standards for public consumption but municipalities will have the ability to further restrict where cannabis will be consumed.
- Education – municipalities will need to inform citizens on the specific municipal regulations, once approved by Council.
- Enforcement – Municipalities will be responsible for enforcing aspects of federal, provincial and municipal regulations including criminal regulations, provincial acts, municipal bylaws, and building and fire codes

Other important aspects of legalization, such as impaired driving, advertising, workplace safety, and age limits fall under the regulatory frameworks proposed by the provincial or federal governments. See Attachment 2 for a detailed breakdown of the responsibilities of the different orders of government.

Administration continues to approach the legalization through a cross-corporate working group with a stated goal of transitioning from the illegal market to the sustainment of responsible production, distribution, and use of legalized recreational cannabis in Calgary. The working group has established principles to guide the work associated with the legalization of cannabis. The principles include:

- Community orientation: the location of point of sale, production and consumption considers and responds to local context
- Informed Calgarians: citizens are aware of legislation, regulation, risks and responsible use of cannabis

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- Accountability: remedies are established for conduct that violates The City's regulatory framework and relevant legislation
- Financial sustainability: emphasis on cost recovery for the regulatory regime and public education, while minimizing the impact on the mill-rate
- Fair, equitable and transparent process: clearly defined rules and procedures that support business, community and consumers
- Evidence-based decisions: supported by best practices and analytic research that is responsive to the community and the evolving industry

The legalization of cannabis is a project with tight deadlines and corporate-wide significance. As such, the timing of the bylaw amendments will be critical to ensuring that there is a viable regulatory system in place in Calgary. Administration has worked with City Clerks to develop a calendar of Committee and Council dates that will allow opportunity for public engagement and research, development of regulations, and the potential implementation of bylaws, with enough time to allow for public education and businesses to be open for 2018 July. See Attachment 3 for a timeline of important dates.

Stakeholder Engagement, Research and Communication

The City has contracted third-party vendors to conduct public opinion research and public engagement on the topic of cannabis legalization. Both public opinion research and public engagement have been ongoing since 2017 November. SMEs from across the Corporation have been engaged about their key concerns and considerations in relation to the legalization and regulation of cannabis. Internal engagement informed the public research and engagement projects that are currently ongoing.

A communications plan has been developed in concert with the public engagement project in order to reach as many Calgarians as possible. The communications plan also includes consideration of communicating any potential regulatory changes in advance of legalization.

Strategic Alignment

The proposed federal and provincial legislation generally aligns with The City's previously established advocacy positions, with some exceptions, as outlined in Attachment 1.

Social, Environmental, Economic (External)

Legalizing, regulating and restricting access to cannabis has social, environmental and economic implications. Administration's advocacy positions and proposed approach to municipal regulations will continue to consider the breadth of implications to City operations and Calgarians.

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Financial Capacity

Current and Future Operating Budget:

The current proposal by the Government of Canada does not include a share of tax revenue for municipalities. The City has, and continues to advocate for the sharing of revenues from the taxation of recreational cannabis with municipalities. Responsibilities delegated to municipalities from the provincial and federal legislative changes will likely require additional resources. An estimate of operating costs to The City as a result of cannabis legalization is currently being developed. This estimate will be based on an in-depth analysis of the affected Business Units and will be shared with Council once it has been finalized in the coming weeks.

Current and Future Capital Budget:

Responsibilities delegated to municipalities from the provincial and federal legislative changes will likely require additional resources. An estimate of capital costs to The City as a result of cannabis legalization is currently being developed.

Risk Assessment

The timeline established by the federal government for the legalization of recreational cannabis has necessitated that The City move forward with research, engagement and drafting amending bylaws in the absence of certainty regarding some aspects of provincial and federal legislation. Delaying aspects of the recreational cannabis legalization project or postponing the amending bylaws would likely result in the absence of a municipal regulatory framework when recreational cannabis is legalized.

The legalization of recreational cannabis will result in a variety of costs to the municipality. If The City does not receive a share of the revenue from the provincial or federal tax regime it is likely that part of the costs associated with legalization will be borne by The City.

REASON(S) FOR RECOMMENDATION(S):

The Government of Canada and the Government of Alberta have introduced legislation to legalize, regulate, and restrict access to cannabis. This report is intended to inform IGA Committee of the potential impact of these legislative changes for The City and Calgarians, and outline how Administration is preparing to respond.

ATTACHMENT(S)

1. Attachment 1 – The City of Calgary’s Advocacy Position – Comparison to proposed Federal and Provincial Legislation
2. Attachment 2 – Responsibilities for Recreational Cannabis Legalization by Order of Government
3. Attachment 3 – City of Calgary Legalization Timeline