

To: Council in Committee of the Whole

From: Jag Sharma, City Manager,
Office of the City Manager

Report Number: CNCL-19-01

Date of Report: December 20, 2018

Date of Meeting: January 10, 2019

Subject: Private Recreational Cannabis Retail Stores in Oshawa

File: A-2300

1.0 Purpose

The purpose of this report is to inform Council's decision of whether to prohibit or allow private recreational cannabis retail stores in Oshawa. A decision to prohibit must be sent to the Alcohol and Gaming Commission of Ontario within three days of the passing of Council's resolution and no later than midnight on January 22, 2019.

2.0 Recommendation

It is recommended that Council select one of the two options set out in Section 5.6 of Report CNCL-19-01, dated December 20, 2018.

3.0 Executive Summary

- On October 17, 2018, the federal *Cannabis Act* came into effect making recreational cannabis or non-medical cannabis legal in Canada. The legalization of recreational cannabis stems from the government's interest to reduce access to the illegal market, protect youth, and ensure public health and safety.
- In response, the Ontario government passed Bill 36, *The Ontario Cannabis Statute Law Amendment Act* on October 17, 2018, which enacted the *Cannabis Licence Act, 2018*.
- Under the *Cannabis Licence Act, 2018* and related regulations O. Reg. 468/18 and O. Reg. 497/18, the Province, through the Alcohol and Gaming Commission of Ontario (A.G.C.O.), will license cannabis retail operators, authorize retail site locations and license senior store employees. Due to the current supply shortage of recreational cannabis, the Province will temporarily phase in retail store locations via a lottery system, the first phase to licence only 25 stores, six of which shall be in the Greater Toronto Area (excluding the City of Toronto), which includes Durham Region.

- Stores will be permitted to operate seven days a week from 9:00 a.m. to 11:00 p.m. but must be at least 150 metres (492 feet) from a school including a private school, as defined by the *Education Act*.
- The City and the public may comment on store licence applications within a very limited 15-calendar day comment period in response to a posted notice at the store site and on the A.G.C.O. website.
- Municipalities do not have the ability to impose their own system of business licences or restrict store locations through zoning provisions. A single operator may have 75 stores but there is no density cap or limit on the number of stores to be licensed in any municipality. Note that the rules surrounding the licensing of private recreational cannabis retail stores are being released by the A.G.C.O. as they are developed.
- Municipalities have until January 22, 2019 to opt-out or prohibit private recreational cannabis retail stores within their jurisdiction. Should the City decide to opt-out, the City may decide to have cannabis retail stores in the future. No decision to opt-out will, by default, allow cannabis retail stores in Oshawa. Once cannabis retail stores are allowed, they cannot be prohibited in future.
- The Province, under the \$40 million Ontario Cannabis Legalization Implementation Fund (O.C.L.I.F.), is providing funding to municipalities to assist with any costs related to the legalization of recreational cannabis. It is important to note that provincial funding is only committed for two years at this time and should not be considered an on-going source of revenue.
- Under the O.C.L.I.F. the City has received a notice of a, per household funding allocation in the amount of \$82,443 (50/50 split with the Region of Durham, which also received an allocation). This is the first of two payments. Opting-out guarantees a second payment of \$5,000. Agreeing to have retail stores guarantees a second payment of more than \$5,000, the amount yet to be determined.
- In addition, those municipalities that agree to have retail stores may be able to share in the \$10 million included in the O.C.L.I.F. set aside for unforeseen circumstances related to the legalization of recreational cannabis.
- Lastly, if Ontario's portion of the federal excise tax (75%) on recreational cannabis over the first two years of legalization exceeds \$100 million, the Province will provide 50% of the surplus to municipalities that have agreed to have private recreational cannabis retail stores (50/50 split between lower and upper-tier municipalities on a per household basis). It is not possible to calculate how much revenue, if any, may be generated for Oshawa from this source.
- The results of a City survey indicate strong support (62%) in favour of Oshawa having private recreational cannabis retail stores. In favour comments cited the legality of recreational cannabis retail stores, convenience, economic opportunities/job creation, crime reduction, and existing rules and regulations in place.
- Thirty-six percent (36%) of respondents were not in favour of having private recreational cannabis retail stores. Comments cited potential negative impacts on the city's and the downtown's image/reputation, increased access to cannabis by youth, increased addiction and crime/social issues, online availability, preference for the

previous government's L.C.B.O. model, negative health impacts, loitering outside store locations, road safety and product odours.

- A small percentage, 2% of respondents, indicated they were unsure whether the City should have private recreational cannabis retail stores, with comments referencing a “wait and see” approach.

4.0 Input From Other Sources

- Corporate Leadership Team
- Development Services Department
- Corporate Services Department
- Durham Region Health Department
- Durham area local municipalities
- Association of Municipalities of Ontario
- Alcohol and Gaming Commission of Ontario

5.0 Analysis

5.1 Legalization of Recreational Cannabis

On October 17, 2018, the federal *Cannabis Act* came into effect making recreational cannabis or non-medical cannabis legal in Canada. Under federal legislation, cannabis growers are licensed by Health Canada for medical and recreational cannabis products. Provinces are responsible for establishing wholesale and retail distribution systems for recreational cannabis. Jurisdiction over rules regarding where individuals can consume recreational cannabis resides with the provinces (*Smoke Free Ontario Act*), as well as municipalities, which may enact stricter by-laws on places to smoke in their communities but in doing so must consider the cost of enforcement. The *Smoke Free Ontario Act* is enforced locally by the Durham Region Health Department.

The public consumption of recreational or non-medical cannabis may be consumed on private property, subject to any lease agreements or condominium by-laws, employment policies and in many public places. It is anticipated that edible products will also be legally available to the public by the end of 2019.

5.2 The Ontario Model

The current Ontario government recently established a hybrid approach to recreational cannabis distribution, which includes private retailers and provincially-controlled online sales, with the passage of Bill 36, *The Ontario Cannabis Statute Law Amendment Act* on October 17, 2018, which established the *Cannabis Licence Act, 2018*. The Ontario Cannabis Store will be the only legal distributor for wholesale recreational cannabis to retailers and the on-line retailer to the public. On-line sales began October 17, 2018.

The Province's risk and outcome-based standards and requirements for private recreational cannabis retail stores are intended to achieve specific and desired outcomes. Rules relate to the sale, distribution, purchase, possession, cultivation and consumption of cannabis. The full details of the A.G.C.O. licensing process, however, have not yet been

released, however, parts of the Registrar's standards for private retail have been released. As a result, City staff do not have, at this time, a complete understanding of how the A.G.C.O. licensing process, including store authorizations, will actually work.

Entry to a retail store and sales are prohibited to anyone under the age of 19, and youth are prohibited from possessing, cultivating, consuming or sharing cannabis. Retail stores must be "stand alone" stores and not be less than 150 metres (492 feet) from any school, including private schools, as defined by the Education Act. The regulations do not address separation distances to other sensitive uses or to post-secondary institutions.

The A.G.C.O. has established a zero-tolerance policy for any retailer who provides cannabis to anyone under the age of 19. Licensed or illegal cannabis stores will be subject to seizure, removal of people from premises and closure orders for premises that are suspected of being used for the illegal sale of cannabis. All private retail cannabis storefronts will be required to be stand-alone stores and meet specific requirements for the store itself, signage, display, security measures, safe transport, cannabis destruction, advertising, record keeping, etc. The operator and manager will each be provincially licensed and trained. Illegal cannabis retailers who were operating after October 17, 2018 are not eligible for Ontario cannabis store licenses. In addition, there is a prohibition on the issuance of a licence to any individual or organization who has been associated with organized crime or is not tax compliant. At this time, it is not known how many provincial inspectors the A.G.C.O. will be assigning to monitor private recreational cannabis retail stores and compliance with regulations.

Stores may operate seven days a week from 9:00 a.m. to 11:00 p.m. These hours are consistent with newly proclaimed hours of operation for alcohol sales. Under the *Cannabis Licence Act*, the limit is 75 stores per operator but each store must be approved by the A.G.C.O. There are no density limitations and no cap on the number of private recreational cannabis retail stores to be permitted in a municipality, leaving market forces to determine locations and total number of stores.

Due to the supply shortage of legal cannabis, the Province has passed O. Reg. 497/18, which implements a temporary model for issuing private retail licences. A phased-in approach and a lottery system will determine who is eligible for a retail licence. All interested parties will submit an expression of interest form online to the A.G.C.O. from January 7 - 9, 2019. A draw will be made on January 11, 2019 with results posted on the A.G.C.O. website. The first phase will license 25 stores (two in the North Region, five in the East Region, seven in the West Region, five in the City of Toronto and six in the Greater Toronto Area, which includes Durham Region).

Local municipal (e.g. the City) licensing by-laws will not apply and local zoning cannot distinguish the use of land or building on the basis of the sale of cannabis. This means municipalities do not have the authority to regulate the location of private recreational cannabis retail stores, nor their density. It may also mean that the A.G.C.O. may not respect local retail-permitting zones. If Oshawa experiences problems of any kind with retail cannabis sales locations, it has no legal authority to change the rules by which retail vendors operate.

The first phase of 25 legal recreational cannabis retail stores are anticipated to start opening April 1, 2019. The Province is providing municipalities a one-time opportunity to opt-out of having recreational cannabis retail stores by sending a Council resolution by email to the A.G.C.O. within three business days of the passing of the Council resolution and before midnight on January 22, 2019. Should the City decide to opt-out, the City may decide to have cannabis retail stores in the future. No decision by Council to opt-out will, by default, allow cannabis retail stores in Oshawa. Once cannabis retail stores are allowed, they cannot be prohibited in future. No matter whether the City allows or does not allow cannabis retail stores, consumers will continue to have access to cannabis through online sales, personal growing and through retail sales in other municipalities that do not opt-out.

Should Council opt-out of private recreational cannabis retail stores now but decide to revisit its decision within one calendar year, a reconsideration motion must first pass by two-thirds majority vote of members present and voting, prior to a motion to have cannabis retail stores.

At the time of writing of this report, the A.G.C.O. website indicates that the following municipalities have formally either opted-out or opted-in regarding private recreational cannabis retail stores:

Opted-Out	Opted-In
<ul style="list-style-type: none">• Centre Wellington, Township of• Erin, Town of• Frontenac Islands, Township of• Ingersoll, Town of• King, Township of• Lake of the Woods, Township of• Markham, City of• Mississauga, City of• Northern Bruce Peninsula, Municipality of• Papineau-Cameron, Township of	<ul style="list-style-type: none">• Amour, Township of• Chatham-Ken, Municipality of• Clarence-Rockland, City of• Dawn-Euphemia, Township of• East Ferris, Township of• Elliot Lake, City of• Greater Sudbury, City of• Highlands East, Municipality of• Huntsville, Town of• Johnson, Township of• Latchford, Town of• Nairn and Hyman, Township of• Plummer Additional, Township of• Prince, Township of• Sarnia, City of• Smiths Falls, Town of• South Stormont, Township of• Spanish, Town of• Tarbutt, Township of• The North Shore, Township of• Trent Lakes, Municipality of• Tudor and Cashel, Township of

5.3 Enforcement

The Province has aligned cannabis consumption rules with the restrictions set out in the *Smoke Free Ontario Act*. Under the Act, smoking and vaping cannabis are prohibited near public or private schools, community recreational facilities or grounds, and children's playgrounds (within 20 metres or 66 feet), hospitals (9 metres or 29 feet) or within child care facilities, among other areas. Any form of recreational cannabis consumption is prohibited in motor vehicles and boats. In addition, municipalities, through bylaws, have the ability to further restrict smoking, including in other outdoor spaces such as parks. To this end, the Province intends to introduce legislation to amend the *Municipal Act, 2001* and the *City of Toronto Act, 2006* to further clarify municipalities' authority in this respect.

The *Smoke-Free Ontario Act* is enforced locally by the Durham Region Health Department under its Smoking in Public Places and in the Workplace By-law, which is currently being repealed and replaced by a new by-law. The new by-law is proposed to prohibit smoking or vaping in or within a 20 metre (66 feet) radius of public parks, in service lines, on any municipal grounds, at an outdoor event registered with a local municipality, on property of a post-secondary institution or long-term care home, or within 9 metre (29.5 feet) radius of an entrance to a mall. It is anticipated the proposed new by-law will be forwarded to local Councils for feedback in early 2019.

The A.G.C.O. and Durham Regional Police Service will be responsible for inspections and enforcement related to recreational cannabis including legal age, public consumption, possession above the prescribed limits, illegal retailers, etc. Durham Region Health Department will be responsible for health by-law enforcement including rules around smoking restrictions and protecting people from second-hand smoke, public health education, emergency medical response and Provincial Offences Courts. It is not known at this time what role, and the extent of the role, municipalities will have as a result of the legalization of recreational cannabis and the potential cost implications. For example, local municipalities may be involved, as necessary, regarding Fire Code or Building Code requirements, by-law policy development and enforcement, and workplace safety policy.

5.4 Public Comment Period

Should Council decide to have private recreational cannabis retail stores within Oshawa, the public and the municipality may provide comment on an application for a store location within a very limited 15-day comment period. The applicant must post a notice of the application at the site location within 24 hours of receiving it from the A.G.C.O. The A.G.C.O. will post a notice on its website. The A.G.C.O. will not be notifying municipalities directly requiring the City to monitor the A.G.C.O. website for a listing of applications. It is recommended that the Province require the A.G.C.O. to directly notify a municipality about each application for a retail store authorization within its borders and within 150 metres (492 feet) of the municipal border.

The A.G.C.O. will circulate any comments (absent any personal information) to the applicant who will have five calendar days to respond to the A.G.C.O. The A.G.C.O. may refuse a retail licence if the issuance of the licence "is not in the public interest, having regard to the needs and wishes of the residents of the municipality..." Public interest is defined by the Province as promoting public health and safety, protecting youth and

restricting their access to cannabis, and preventing illicit activities in relation to cannabis. The decision of the A.G.C.O. is final.

Due to the very limited 15-calendar day time period for comment, it is proposed that should Council decide to have retail stores, the Commissioner of Development Services and the Director, Planning Services be delegated the authority to provide the A.G.C.O. with comment on store locations in regard to the public interest. Municipal and/or public comments may influence the location, setbacks and density thresholds of private recreational cannabis retail stores in so far as comments relate to the public interest. It should be noted, however, that the A.G.C.O. Registrar has no authority to exceed the standards set out in the legislation meaning that concerns expressed by the City or residents may be of limited relevance. Consequently, for municipalities that decide to have cannabis retail stores, it is unclear to what extent municipal and public comment on potential applications for private recreational cannabis retail stores will be taken into consideration by the A.G.C.O.

In this regard, it is proposed that City staff prepare a set of local guidelines for Council approval that can be used to submit municipal comments to the A.G.C.O. The development of such guidelines would take into consideration Dr. Kyle's, Commissioner and Medical Officer of Health for Durham Region recommendation that municipalities should consider the location of cannabis retail stores in proximity to sensitive uses not addressed by provincial regulations, such as:

- Child care centres
- Post-secondary schools
- Libraries
- Beer and LCBO stores
- Tobacco and vaping product retailers
- Gaming facilities
- Healthcare facilities, such as hospitals and mental health and addiction services
- Long-term care homes
- Recreation centres
- Arcades, amusement parks, and other places where children and youth congregate
- High priority neighbourhoods where there is a higher degree of crime or higher socioeconomic disparity (see Durham Region Priority Neighbourhoods five of which are located in Oshawa)
- Separation distances between sites to control cannabis retail density.

5.5 Public Consultation

Staff undertook a two and a half week public consultation process beginning on Wednesday, November 14 and concluding on Monday, December 3 to engage the community and gather feedback on whether the City should have private recreational cannabis retail stores.

5.5.1 Methodology

The consultation process was comprised of various engagement initiatives, which included the use of Connect Oshawa (www.connectoshawa.ca), the City's online engagement website and survey, a paper survey available at Service Oshawa and two-hour community engagement tables at each of Delpark Homes Centre, Northview Community Centre, Civic Recreation Complex, South Oshawa Community Centre and Donevan Recreation Complex. The same questions were used in the online and paper surveys to ensure consistency and validity.

In an effort to increase engagement, staff extensively promoted the consultation process using various mediums including:

- Placing public notices in two local newspapers
- Distributing social media (Facebook and Twitter) messaging
- Distributing a public service announcement
- Notifying registered stakeholders of engagement opportunities via email
- Creating a dedicated webpage on Connect Oshawa (www.connectoshawa.ca)
- Promoting the initiative to Advisory Committee members through email

5.5.2 Level of Engagement and Response

The level of response to the City's consultation process is summarized in the following table:

Public and Stakeholder Consultation Methods

Type of Consultation	Details
Online and paper survey	<ul style="list-style-type: none">• Online: 337• Paper: 98• Total: 435
Paper Survey Details: Community Engagement Tables (one per ward)	<ul style="list-style-type: none">• Five 2-hour community engagement tables• Engaged 161 community members• Received 86 of the 98 total paper surveys <ol style="list-style-type: none">1. Monday, November 19, 9:00 a.m. – 11:00 a.m. at Delpark Homes Centre (1661 Harmony Rd. N.)<ul style="list-style-type: none">• Engaged 45 community members• Received 12 paper surveys2. Wednesday, November 21, 11:00 a.m. – 1:00 p.m. at Northview Community Centre (150 Beatrice St. E.)<ul style="list-style-type: none">• Engaged 17 community members• Received eight paper surveys3. Thursday, November 22, 6:00 p.m. – 8:00 p.m. at Civic Recreation Complex (99 Thornton Rd. S.)

Type of Consultation	Details
	<ul style="list-style-type: none"> Engaged 26 community members Received 12 paper surveys
	<p>4. Monday, November 26, 4:30 p.m. – 6:30 p.m. at South Oshawa Community Centre (1455 Cedar St.)</p> <ul style="list-style-type: none"> Engaged 20 community members Received 16 paper surveys
	<p>5. Wednesday, November 28, 5:00 p.m. – 7:00 p.m. at Donevan Recreation Complex (171 Harmony Rd. S.)</p> <ul style="list-style-type: none"> Engaged 53 community members Received 38 paper surveys

5.5.3 Survey Results

A total of 435 surveys were received by the City, 337 online and 98 paper. The question asked was “Do you support having private recreational cannabis retail stores in our municipality?” The results follow:

- Yes – 62.3% (271 responses)
- No – 35.6% (155 responses)
- Unsure – 2.1% (nine responses)

Based on the number of respondents that partially or wholly completed the optional demographic questions, we can conclude the following:

- Of the 405 respondents that answered the question “how old are you”, all responses were received from those aged 19-65+ with the bulk of responses (109) coming from those aged 35-44 (26.9%).
- Of the 271 respondents that voted “Yes”, 259 indicated their age group. The age breakdown ranged from 19 to 65+, with 67% 19-44 years of age and 33% being 45+. Of the 155 respondents that voted “No”, 138 indicated their age group. The age breakdown ranged from 19 to 65+, with 35% 19-44 years of age and 65% being 45+.
- Of the 405 respondents that answered the question “are you an Oshawa resident or business/property owner”, 388 or 95.8% said yes.
- Of the 385 respondents that answered the question “what does your postal code begin with”, 246 or 64% voted yes. Of these, 196 or 80% came from three postal code areas that include or partially include all five of the city’s priority health neighbourhoods:
 - L1J (west area of the City, Taunton Road West south to Lake Ontario)
 - L1G (central Oshawa from Conlin Road south to King Street)

- L1H south (central and east area of the City, King Street south to Lake Ontario)
- The majority of respondents learned about the opportunity via social media.

5.5.4 Future Public Information

This report will be considered by Council the evening of January 10, 2019. This will be a public meeting to allow additional public input.

On a go forward basis, City staff will develop information for the City's website including information on where cannabis can and cannot be consumed, who to contact regarding cannabis related issues or concerns, how to report smoking or vaping of cannabis where it is not permitted, potential cannabis retail store locations (should the City decide to have retail stores), how to submit comments to the A.G.C.O. about a potential store location, etc. The information will include links to the Region of Durham's cannabis information page, as well as federal and provincial links.

5.6 Council Options

Two options are available to Council regarding private recreational cannabis retail stores in Oshawa.

5.6.1 Option 1: Opt-out or prohibit private recreational cannabis retail stores in Oshawa

Under this option, Oshawa would opt-out of having private recreational cannabis retail stores. The pros and cons of opting-out at this time follow:

Pros	Cons
<ul style="list-style-type: none">▪ Opting-out now does not preclude having private recreational cannabis retail stores in the future.▪ Opting-out does not preclude the City having cannabis production facilities.▪ Will allow the A.G.C.O. to release the full details of its provincial licensing model, and allow the City to observe the model in action and monitor the experiences of municipalities that have private recreational cannabis retail stores.▪ Will provide the City the necessary time to establish Council-approved locational guidelines for commenting to the A.G.C.O. should the City choose to have private recreational cannabis retail stores in the future.	<ul style="list-style-type: none">▪ The City will receive less funding over the next two years from the O.C.L.I.F., albeit the total amount is unknown at this time.▪ Prohibiting cannabis retail stores in Oshawa would limit Oshawa residents' access to legal, government-regulated recreational cannabis, which may not support the government's interest to reduce access to the illegal market, protect youth, and ensure public health and safety.▪ The City's recent public consultation on this matter resulted in 62.3% (271 responses) in favour of permitting private recreational cannabis retail stores.

Pros	Cons
<ul style="list-style-type: none"> ▪ The newly announced A.G.C.O. lottery system for cannabis retail store authorization and a limited first phase of only 25 stores means opting-out now has less consequences from a consumer and public safety perspective. ▪ Consumers will continue to have access to recreational cannabis through online sales, personal growing and through retail sales in other municipalities that do not opt-out. 	

Should Council choose to opt-out or prohibit private recreational cannabis retail stores in Oshawa, Council may wish to pass the following motion:

- “1. That pursuant to Report CNCL-19-01 dated December 20, 2018, the Corporation of the City of Oshawa opt-out of having private recreational cannabis retail stores, passed this January [insert date], 2019;
2. That the City’s resolution to opt-out be emailed within three business days of the passing of this resolution to the Alcohol and Gaming Commission of Ontario no later than midnight on January 22, 2019;
3. That the City notify the Region of Durham of its decision to opt-out of having private recreational cannabis retail stores; and
4. That Durham Regional Police Service be requested to take appropriate action regarding any illegal cannabis retail stores in Oshawa.”

5.6.2 Option 2: Allow private recreational cannabis retail stores in Oshawa

Under this option, Oshawa would allow private recreational cannabis retail stores.

Pros	Cons
<ul style="list-style-type: none"> ▪ In response to the City’s recent public consultation on this matter, 62.3% (271 responses) are in favour of having private recreational cannabis retail stores in Oshawa. ▪ The City will be eligible to receive potential funding over the next two years from the Ontario Cannabis Legalization Implementation Fund (O.C.L.I.F.), albeit the total amount is unknown at this time. 	<ul style="list-style-type: none"> • Full details of the A.G.C.O. licensing process have not been released, however, parts of the Registrar’s standards for private retail have been released. As a result, City staff do not have, at this time, a complete understanding of how the A.G.C.O. licensing process, including store authorizations, will actually work. ▪ Allowing private recreational cannabis retail stores cannot be reversed in future.

Pros	Cons
<ul style="list-style-type: none"> ▪ Allowing provincially licensed private recreational cannabis retail stores would support the government's interest to reduce access to the illegal market, protect youth, and ensure public health and safety. ▪ Consumers will continue to have access to cannabis through online sales, personal growing and through retail sales in other municipalities that do not opt-out. ▪ The Province is establishing risk and outcome-based standards and requirements for cannabis retail stores in order to achieve specific, desired outcomes. 	<ul style="list-style-type: none"> ▪ The City does not have the authority to regulate the location of private recreational cannabis retail stores, nor their density, and the A.G.C.O. may not respect local retail-permitting zones. ▪ The City has not yet established Council-approved locational guidelines for commenting to the A.G.C.O. on private recreational cannabis retail store applications. ▪ The A.G.C.O. will not be notifying municipalities directly when they receive a retail store licence application and offer a very limited 15-calendar day timeframe to submit comments. ▪ It is not known at this time what role, and the extent of the role, municipalities will have as a result of the legalization of recreational cannabis and the potential cost implications.

Should Council choose to allow private recreational cannabis retail stores in Oshawa, Council may wish to pass the following motion:

- “1. That pursuant to Report CNCL-19-01 dated December 20, 2018, the Corporation of the City of Oshawa shall allow private recreational cannabis retail stores in the city;
2. That Council request the Attorney General and the Premier's Office to require the Alcohol and Gaming Commission of Ontario to directly notify a municipality about each application it receives for a private recreational cannabis retail store in the City of Oshawa and within 150 metres (492 feet) of the municipal border; and
3. That Council delegate to the Commissioner of Development Services and the Director, Planning Services the authority to provide comment to the Alcohol and Gaming Commission of Ontario on cannabis retail store applications in the City of Oshawa within the 15-day comment period based on Council-approved locational guidelines; and
4. That Durham Regional Police Service be requested to take appropriate action regarding any illegal cannabis retail stores in Oshawa.”

6.0 Financial Implications

The Province, under the \$40 million O.C.L.I.F., is providing funding to municipalities to assist with any costs related to the legalization of recreational cannabis. It is important to note that provincial funding is only committed for two years at this time and should not be considered an on-going source of revenue.

Under the O.C.L.I.F. the City has received a notice of a per household funding allocation in the amount of \$82,443 (a 50/50 split with the Region of Durham, which also received an allocation). This is the first of two payments. Opting-out guarantees a second payment of \$5,000. Agreeing to have retail stores guarantees a second payment of more than \$5,000, the amount yet to be determined. Funding received from the Province must be used to address the costs that directly relate to the legalization of recreational cannabis, such as any increased response to public inquiries, fire services, by-law policy development and enforcement, and workplace safety policy.

Included in the O.C.L.I.F. is \$10 million to address unforeseen costs (undefined) related to the legalization of recreational cannabis. In terms of distribution, priority will be given to municipalities that have agreed to have private recreational cannabis retail stores.

In addition, if Ontario's portion of the federal excise tax (75%) on recreational cannabis over the first two years of legalization exceeds \$100 million, the Province will provide 50% of the surplus to municipalities that have agreed to have private recreational cannabis retail stores (50/50 split between lower and upper-tier municipalities on a per household basis). Given the current decision to temporarily phase in cannabis retail stores in Ontario due to a supply shortage of recreational cannabis, this is not likely to happen. It should be noted, however, that if a municipality opts-out by January 22, 2019 but opts-in at a later date, it will not be eligible for additional funding. Lastly, funds may also come to municipalities via Provincial Offences Act fines, the amount of which is unknown at this time.

The Association of Municipalities of Ontario anticipates that the municipal costs for legal recreational cannabis (policing, public health, by-law enforcement, paramedic and other services) may exceed the municipal funding to be allocated by the Province and encourages municipalities to track costs for additional work related to the transition to legal recreational cannabis.

7.0 Relationship to the Oshawa Strategic Plan

This report responds to the goal of Accountable Leadership and the theme of Deliberate Community Engagement, and the goal of Social Equity and the theme of an Active, Healthy and Safe Community.



Helen Break, Director, Strategic Initiatives
Office of the City Manager



Jag Sharma, City Manager
Office of the City Manager