



MEMO/NOTEDESERVICE

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TO: Community and Protective Services Committee

DESTINATAIRE : Comité des services communautaires et de protection

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FILE NUMBER: ACS2020-EPS-GEN-0001

SUBJECT: Impacts of Cannabis Legalization on City of Ottawa Services

OBJET : Incidence de la légalisation du cannabis sur les services de la Ville d'Ottawa

Executive Summary

On December 5, 2018, Council received the [Report on Ontario Cannabis Legislation, Cannabis Retail Stores, and Response to Council Direction of August 29, 2018](#).

The report detailed new Federal and Provincial regulations related to the legalization of recreational cannabis and outlined, on a preliminary basis, the specific City services that might be affected by those regulations, in addition to addressing the specific issue of private cannabis retail stores. As part of this report, staff were directed to measure the impact of the legalization of cannabis on City services, and report back to the appropriate Standing Committee. Staff also committed to developing appropriate measures as well as monitoring and reporting mechanisms to determine the impact of cannabis legalization on City services.

The purpose of this memorandum is to provide the results of this impact on City services to the end of 2019.

Résumé

Le 5 décembre 2018, le Conseil a reçu le [Rapport sur la législation sur le cannabis en Ontario, sur les établissements de vente au détail de cannabis et sur une réponse à une directive du Conseil municipal datant du 29 août 2018](#).

Le rapport présentait les nouveaux règlements fédéraux et provinciaux afférents à la légalisation du cannabis à des fins récréatives (cannabis récréatif) et indiquait de façon préliminaire les services municipaux susceptibles d'être touchés par ces règlements. On y abordait également la question des établissements privés de vente au détail de cannabis. Dans le cadre de ce rapport, le Conseil a demandé au personnel d'évaluer l'incidence de la légalisation du cannabis sur les services de la Ville et de préparer un rapport à cet effet pour le remettre au comité permanent pertinent. Le personnel s'est aussi engagé à mettre en place des mesures et mécanismes de surveillance appropriés et à préparer des rapports qui permettraient de déterminer les répercussions de la légalisation du cannabis sur les services de la Ville.

Cette note de service a pour but de présenter les répercussions sur les services municipaux jusqu'à fin 2019.

BACKGROUND

The Federal *Cannabis Act* amended the Criminal Code to legalize recreational cannabis, subject to licensed production, retail, and personal possession, as well as growing limits and applicable age restrictions, effective October 17, 2018. The implementation of the legalized recreational cannabis regime is a shared responsibility between the federal, provincial and territorial governments.

Under the Act, Provinces and Territories are authorized to determine their own distribution systems. Additionally, Provinces and Territories are authorized to put into

place rules for recreational cannabis related to age and quantity restrictions as well as distribution and sales, and places of consumption within their jurisdictions. The effect of this delegation is that each Province or Territory can make its own rules regarding these aspects of recreational cannabis, and these rules can be more restrictive, but not more lenient, than the Federal rules.

Provincial Cannabis Legalization Framework

In Ontario, the regulations governing recreational cannabis are contained in various pieces of legislation: The *Cannabis License Act, 2018* (sales and retail), the *Cannabis Control Act, 2017* (possession, age, home-growing and other restrictions and limits), and the *Ontario Cannabis Retail Corporation Act, 2017* (establishing the Ontario Cannabis Store). Under this legislation, the Ontario Cannabis Store is the exclusive online retailer for recreational cannabis and serves as the wholesale distributor to privately operated and licensed brick and mortar cannabis stores.

Further, since April 1, 2019, private cannabis retail stores in Ontario are licensed and regulated by the Alcohol and Gaming Commission of Ontario (AGCO) in municipalities whose Councils have permitted their establishment, as further described below. Until the end of 2019, private retail cannabis stores were authorized in phases by means of a lottery system administered by the AGCO as the sole regulator of these businesses, also as described further below.

The Government of Ontario's approach to cannabis legalization includes:

- Online retail available throughout Ontario
- Consumption permitted in private residences
- Prohibition on cannabis consumption in public spaces, workplaces, and in motorized vehicles (unless stationary and used as a residence)
- Youth diversion – alternatives to traditional justice system
- The closure of illegal dispensaries (through law enforcement) .
- Penalties and fines for impaired driving, illegal distribution, public use, among other offences.

In December 2019, the Province announced that the existing cap on the number of private stores would no longer apply and the lottery system would no longer continue. The AGCO began accepting retail licence applications January 6, 2020.

Role of Municipal Governments under the Provincial Framework

The *Cannabis License Act, 2018* permitted municipalities to pass a resolution prohibiting cannabis retail stores from being located in their community by January 22, 2019 and therefore “opting out” of the provincial cannabis retail model.

On August 29th, 2018, Council directed staff to undertake certain activities in response to cannabis legalization and in consideration of the Province of Ontario's private cannabis retail model and the one-time “opt out” opportunity for municipalities. Staff

examined options for public input opportunities to gather feedback on potential private cannabis retail stores in Ottawa, for Council's consideration, and two public engagement opportunities were undertaken as a result: an online survey on Ottawa.ca, and public opinion polling through an external contractor. These occurred over a two-week period, taking into consideration the compressed timelines available. On December 13, 2018, Council voted to "opt-in" to having recreational cannabis stores in Ottawa.

On December 13, 2018, the Government of Ontario announced that a temporary cap of 25 Retail Store Authorizations would be imposed. As set out in *Ontario Regulation 468/18*, the Government of Ontario gave the Alcohol and Gaming Commission of Ontario (AGCO) the mandate to hold a lottery to determine who may apply for Retail Operator Licences. From the initial lottery in January 2019, only three licenses were issued for cannabis stores in Ottawa. On July 3, 2019 the Government announced that an additional 50 cannabis retail stores would be permitted across Ontario, with 42 being drawn through the lottery process, and eight being located on First Nations reserves on a first-come, first-serve basis. On August 21st the results of the lottery were announced, with three additional licences being awarded in Ottawa.

Since the end of the lottery system, the AGCO has authorized ten cannabis retail stores in Ottawa, with a further 38 applications in progress.

Under the Cannabis Licence Act, 2018, municipal governments in Ontario have a very limited role in respect of the private cannabis retail regulatory regime and are precluded from regulating cannabis retail stores through a licensing regime, a zoning by-law or by other means.

Municipalities do have a role in:

- Providing comments to the AGCO on municipal concerns related to location of potential cannabis stores
- Police enforcement of impaired driving regulations, illegal use and distribution, personal growing restrictions, and related regulations
- Paramedic services/response
- Workplace safety as an employer
- Promoting economic development as the market broadens
- Land use planning/zoning considerations for commercial growing and manufacturing facilities (in conjunction to Federal laws governing growing and manufacturing of cannabis)

DISCUSSION

In 2018 staff presented the expected impacts on City services of cannabis legalization to Council. The legalization of recreational cannabis was expected to have impacts on municipal services beyond that of private retail stores, with implications in the areas of emergency services, public health, public safety and economic development.

Staff have reviewed impacts in the service areas that were affected by cannabis legalization and have determined there to be impacts which fall under the following themes:

1. Financial Impacts
2. Public Policy Impacts
3. Internal Policy and Procedure Impacts
4. Public Safety and Enforcement Impacts
5. Public Health and Education Impacts
6. Licensing, Planning, and Zoning Impacts

Financial Impacts

The Government of Ontario committed funds to municipalities to assist with the cost of municipal services involved in the implementation of recreational cannabis.

In March 2018, the former provincial government announced a funding mechanism to provide municipalities in Ontario with \$40 million from its share of the federal excise duty on recreational cannabis over two years to help with implementation costs related to the legalization of cannabis. In August 2018, the current provincial government confirmed the \$40 million funding envelope over two years with funding allocated on a per household basis. The Ontario Minister of Finance announced on November 21, 2018 that \$15 million would be allocated among municipalities at the start of 2019, with funding allocation on a per household basis and all communities receiving at least \$5,000.

The Minister of Finance further announced that an additional \$15 million will be allocated to municipalities that agree to host cannabis retail stores within their borders.

In addition, if the Province of Ontario's portion of the revenue from recreational cannabis exceeds \$100-million in the first two years of legalization, the Province will provide municipalities with 50 per cent of the surplus to be divided amongst municipalities that have opted-in to the private cannabis retail regime.

The Province set out guidance as to the eligible uses of these funds. Municipalities must use the money they receive from the fund solely for the purpose of paying for implementation costs directly related to the legalization of cannabis.

Examples of permitted costs include:

- Increased enforcement (e.g., police, public health and by-law enforcement, court administration, litigation)
- Increased response to public inquiries (e.g., 311 calls, correspondence)
- Increased paramedic services
- Increased fire services
- By-law / policy development (e.g., police, public health, workplace safety policy).

Municipalities must not use the money they receive from the fund to pay for:

- Costs that have been, or will be, funded or reimbursed by any other government body, or third party
- Costs not related to cannabis legalization

To date the City has received \$2.8M from the provincial government to cover the one-time and incremental costs of cannabis legalization. The funding has been fully allocated as per the following distribution;

- By law and Regulatory Services (EPS): \$800
- Public Policy Development (EPS): \$600
- Economic Development and Long Range Planning (PIED): \$60,000
- Ottawa Public Health: \$945,000
- Ottawa Police Service: \$1,797,000

Public Policy Impacts

As part of its decision in 2018 to opt-in to the provincial recreational cannabis retail model, Council also directed staff to review existing smoking prohibitions with a view to harmonizing them to ensure consistency with smoking and vaping of tobacco, cannabis and any other substances. Staff reviewed the various smoking prohibitions that existed in the City of Ottawa's by-laws. On June 26, 2019, Council approved the recommended amendments to several City of Ottawa By-laws ([ACS2019-EPS-GEN-008](#)) to ensure a harmonized approach in terms of smoking and vaping of tobacco, cannabis, and other substances, and to generally align with the *Smoke Free Ontario Act, 2017* (SFOA). This included the following:

- The Smoking and Vaping By-law (2019-241) was enacted and came into effect on November 1, 2019. It prohibits the smoking and vaping of tobacco, cannabis, and any other substance in public places and workplaces.
- The Transit By-Law (2007-268) was amended to address cannabis and vaping on transit property.
- The ROW Patio By-law (2017-92) was amended to address smoking and vaping of cannabis and any other substance on Right of Way patios.
- The City's Parks and Facilities By-law (2004-276) was amended to prohibit smoking and vaping of any substance on all outdoor property including parks and sports fields, beaches, grounds of recreational facilities and pathways and walkways.

Additionally, the Mayor petitioned the Chairperson and Chief Executive Officer of the National Capital Commission as well as the responsible Ministers for Parks Canada and Canadian Heritage to put into place policies that create and support smoke- and vapour-free public places on Federally-owned properties.

Internal Policy and Procedure Impacts

Long Term Care developed a *Possession and Consumption of Cannabis* process and procedure for long-term care residents that was implemented in January 2019.

Innovative Client Services made necessary updates to City-wide policies, including:

- Reviewing and updating the Alcohol and Drugs in the Workplace Policy that speaks to all drug use, including recreational cannabis
- Developing Fitness for Work procedures
- Creating Suspected Impairment Incident form
- Developing mandatory Alcohol and Drugs in the Workplace training

Public Safety and Enforcement Impacts

With changes to public policy, By-law and Regulatory Services (BLRS) has seen an increase in calls for enforcement of smoke-free by-laws associated with cannabis. In 2019, BLRS received 120 calls. The majority of these calls were public consumption complaints, for example smoking in public spaces such as City property. The biggest call increase related to cannabis has been related to the City's by-laws, as opposed to Provincial regulations under the SFOA. The Tobacco Information System, the provincial system for tracking enforcement of the SFOA does not log calls, but actions specific to Cannabis. BLRS costs related to enforcement of the SFOA are recovered from Ottawa Public Health.

For Ottawa Paramedic Service distressed user response has been minimal. All front-line Paramedics completed a specialized Cannabis training session. The Paramedic Training and Development Unit created and delivered the training as part of the mandated in-house professional development program. In addition, the Training and Development Unit delivered this training to Ottawa Fire Services and the City's Fleet Driver Training Unit. Content on impairment has been incorporated into the Strategic Drive Program, a defensive driving course provided by Fleet Training for City operators.

Ottawa Fire Services (OFS) has seen only a minimal impact due to cannabis legislation, in the form of updated administrative procedures in the Fire Prevention Office for documentation (and possible inspections) of cannabis cultivation businesses.

Public Health and Education Impacts

Ottawa Public Health (OPH) has a key role in educating the public on the health effects of cannabis use, particularly on adolescent development. OPH continues to implement an evidence-informed, [comprehensive 4-point plan](#), approved by the Ottawa Board of Health on February 5, 2018, to reduce the harms from cannabis use. This plan responds to the on-going community need to address the legalization of cannabis for non-medical use including the expanding new product classes, such as edibles and vaping with a focus on youth, young adults, and individuals who are pregnant and chest/breast feeding.

Since legalization, OPH has:

- Launched the Blunt Fact health promotion campaign in 2018 which continued in 2019 and 2020. As part of this campaign OPH:
 - Reached over 553,900 people through social media on lower risk use
 - Generated over 22,200 visits to the OPH cannabis webpages on OttawaPublicHealth.ca and TheLinkOttawa.ca.
- Educated 6,000 secondary students regarding delaying use based on impact on brain development
- Disseminated over 24,500 “Use Cannabis Responsibly” resources for post-secondary partners and at community events
- Partnered with the Canadian Centre on Substance Use and Addiction (CCSA) to host a workshop for 58 professionals who work with youth in Ottawa, to increase their skills and confidence in having critical conversations with youth about cannabis
- Engaged with local authorized cannabis retailers to facilitate low risk cannabis use education for consumers
- Provided funding and supported BLRS to enforce the SFOA and the City's smoke-free by-laws
- Enhanced local health data collection of the health harms of cannabis use and worked with partners to assess the health implications of provincial and federal cannabis-related legislation. Shared information and knowledge with various partners at the local and provincial level
- Continued to monitor rates of use and trends that can be attribute to legalization

Additionally, Housing Services, under the Community and Social Services Department, circulated a communication to all operators of social housing, emergency shelters and residential services homes, providing them with information resources on cannabis legalization legislation.

Licensing, Planning, and Zoning Impacts

As part of its decision to opt in to the provincial cannabis retail model, Council directed the Planning, Infrastructure and Economic Department (PIED) to take the lead in providing comments to the AGCO on the location of potential cannabis retail stores in Ottawa, and also approved a list of areas of municipal concern regarding locations in order to inform those comments. However, the provincial lottery system limited the anticipated number of applications submitted. PIED has not seen a significant budget impact to this point as a result of Cannabis legislation. Council also allocated a temporary term resource to manage the additional workload.

The Zoning Unit in PIED is responsible for administering the monitoring and public notification process, per Council's direction. In the first year of legalization, the unit spent approximately 150 hours in meeting with the AGCO, fielding public and Councillor inquiries, notification preparation, application tracking and media inquires. The administration process framework established responded to six applications.

Of the six applications processed in the first year of legalization, staff objected to two applications based on proximity to an active park, and the other for proximity to an already approved cannabis retail store. Staff also noted concerns on a third application located just outside the provincially established 150m separation distance from a school. All three submissions were approved. The AGCO replied that proximity to another cannabis store and specific separation distance requirements to other land uses (including parks) are not matters that require the Registrar to refuse an authorization, nor are they matters of public interest as defined in the Regulation. As such, AGCO has indicated that the matters Council has directed staff to comment on are not matters that AGCO will take under advisement in the provincial Cannabis Retail Store authorization process.

Planning Services has indicated that there have been a few additional pre-consultations related to cannabis and Building Code Services processed three permits.

Local economic benefits

The legalization of recreational cannabis brought into play a completely new sector to Canada's formal economy. Though projections of users and sales vary depending on the source, it was anticipated that in 2019, Ottawa could have between 87,000 and 162,000 consumers of cannabis. These consumers could generate annual legal sales in the range of \$50 million to \$200 million and could support 34 to 69 cannabis retail stores throughout the city. Projections and forecasts aside, it was generally agreed that the legalization of cannabis would result in new jobs, new opportunities for business, new revenues for all levels of government, and the onset of innovation and new technologies. Due to the lottery system, Ottawa has had a limited number of storefronts, leading to lower general economic impacts than expected.

CONCLUSION

The funding provided by the Province has been fully allocated as outlined within this report to cover the City's legalization costs, including policy and procedure updates, training, public education and licensing administration.

With respect to the licensed storefronts, there continues to be minimal operational impacts.

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