

ITEM NO. 22-

**TO THE CITY COUNCIL OF PEORIA, ILLINOIS, IN COUNCIL,
ASSEMBLED YOUR COMMITTEE OF THE WHOLE to Whom
was Referred a POLICY SESSION on the CANNABIS
REGULATION AND TAX ACT.**

A Policy Session was held on Tuesday, October 11, 2022, beginning at 5:00 P.M. at City Hall, Council Chambers (Room 400), 419 Fulton Street, with Mayor Ali presiding, and with proper notice having been posted.

ROLL CALL

Roll Call showed the following Council Members were present: Allen, Cyr, Grayeb, Jackson, Jensen (electronic attendance), Kelly, Oyler, Riggerbach, Ruckriegel, Velpula (electronic attendance), Mayor Ali - 11. Absent: None.

Others present were as follows: City Manager Patrick Urich, Deputy Corporation Counsel Chrissie Kapustka, Corporation Counsel Patrick Hayes, City Clerk Stefanie Tarr, Deputy Clerk II Courtney Coe, interested citizens and members of the media.

**Communication from the City Manager and Deputy Corporation Counsel with a Request
for a POLICY SESSION on the CANNABIS REGULATIONS AND TAX ACT**

Mayor Ali opened the Policy Session at 5:05 P.M.

Deputy Corporation Counsel Kapustka reviewed the history of Council discussions regarding the sale of recreational and medical cannabis in the City of Peoria. She discussed qualifying conditions approved for medical cannabis, sale restrictions, home-grown cannabis regulations, as well as medical and recreational cannabis sales taxes. She said in Peoria, Trinity Compassionate Care Center offered medical cannabis to citizens with a State-issued Medical Cannabis Registration Card, and she provided an overview of medical cannabis regulations, as well as zoning regulations. She said in 2021, the Cannabis Regulation and Taxation Act allowed and established regulations for recreational use and sale of cannabis in Illinois. She provided the number of licenses issued by the State of Illinois, including Social Equity Applicants, as well as the statewide revenues from cannabis sales. She said three Special Use permits for recreational cannabis dispensaries had been issued in Peoria, and a fourth would be presented to the Council for consideration at the October 25, 2022, City Council Meeting. She reviewed past Council policy decisions regarding zoning, on-site consumption, and tax rates on cannabis sales. She asked the Council to provide direction on which policies to address or amend.

Deputy Corporation Counsel Kapustka said the State awarded 58 licenses in 2020 and 55 more had been awarded but were not in effect yet. She discussed litigations on the lottery system utilized to award the licenses, statewide cannabis sale revenues, and the 185 dispensary licenses available, which included Social Equity applicants. She said there were two existing recreational cannabis dispensaries in Peoria, owned by Trinity Compassionate Care Center, and three Special Use permits were recently approved by the Council for locations on University Street, Brandywine Drive, and War Memorial Drive, with an additional application in progress. She reviewed Council decisions in 2019 regarding cannabis dispensary zoning restrictions, onsite consumption, business license requirements, and local sales tax rate. She noted tax rates were based on the THC levels of the products sold, up to 40% of the purchase price.

Discussions were held about regional licensing limitations, the State licensing process, and why some applicants were applying for a Special Use permit through the City of Peoria before being

awarded a license by the State of Illinois.

Continued discussions were held about City and State cannabis tax rates and the resulting revenue over the past three years. Council Member Jensen requested a Report Back including details of cannabis tax revenues received by the City of Peoria compared to liquor tax revenues.

Council Member Oyler noted the number of new cannabis patients increased each year and he asked about the sustainability of the growth trend, as well as the possibility of oversaturation in the market. He asked if a baseline of expectations was available. Deputy Corporation Counsel Kapustka explained the State projected five years of data would be needed to understand consumption volume and to compile related data. She discussed factors that would impact sales including increases in medical use cannabis and border states loosening cannabis restrictions.

Council Member Riggerbach commented on the two-year expiration on Special Use permits for cannabis dispensaries in the City of Peoria and the possibility of amending the Code to set a one-year expiration. Deputy Corporation Counsel Kapustka said she would provide a Report Back with Cannabis Dispensary Special Use permit expiration dates previously approved by the Council.

Discussions were held regarding factors that could potentially influence demand for cannabis, national commercial development trends, as well as local and state revenues from Cannabis Use Tax since 2020.

Council Member Cyr moved to direct staff to bring back an Ordinance to a subsequent Regular City Council Meeting to change cannabis dispensaries from a Permitted Use to a Special Use in Industrial Parks; seconded by Council Member Grayeb.

Deputy Corporation Counsel Kapustka said, in response to Council Member Cyr's motion, an Ordinance changing cannabis dispensaries from a Permitted Use to a Special Use in Industrial Parks would be brought back for consideration of the Council.

Discussions were held regarding requirements for Site Applications, including purchase or lease agreements, and other qualifications.

Council Member Allen said he agreed the expiration term should be reduced to one year in order to provide more opportunities for businesses to acquire locations within the City.

Deputy Corporation Counsel Kapustka provided requirements and concerns regarding multiple applicants recently awarded a cannabis dispensary license by the State of Illinois attempting to secure a location for their business within the specified standards.

Council Member Allen said it was important the Council exercised caution when amending regulations before data could be compiled to determine how cannabis dispensaries affected the community. He said he was indifferent to permitting onsite consumption, noting while the product was legal to consume in Illinois, property-owners were permitted to disallow use on their property, affecting renters and other citizens. He said he was willing to consider permitted consumption businesses located in the City of Peoria. He also discussed how redistricting earlier that year affected dispensary locations in District 4. He said it was important the Council treat this industry like all others, noting it was an evolving process.

Council Member Grayeb expressed a concern on the potential impact the legalization of cannabis would have on the healthcare industry and the health of others and whether the State

Legislature considered the same. He said the legalization of cannabis may be determined detrimental in the future. He discussed the reported concerns with certain medical conditions, especially in minority communities, and he said he was willing to impose additional regulations. He concurred with Council Member Cyr that a shortened expiration on Special Use permits for cannabis dispensaries was appropriate. He said he brought up the possibility of imposing a moratorium on cannabis dispensary business licenses at the last Council Meeting.

Continued discussions were held on State Cannabis Dispensary License requirements, including the differences for Social Equity applicants. In response to Council Member Kelly regarding the City requiring a State License before applying for local Site Approval, Deputy Corporation Counsel Kapustka said requiring the State License for local Site Approval could impair Social Equity applications due to differing State requirements for identifying a site.

Discussions were held regarding the Cannabis Sales Tax Rate set by Peoria County.

Council Member Kelly asked for the reason to change Cannabis Dispensaries from a Permitted Use to a Special Use in Industrial Parks. He said, because cannabis use caused impairment, he had concerns with permitting on-site consumption.

In response to Council Member Ruckriegel regarding a potential impact to State funding allocations if a municipality established additional restrictions or a moratorium, City Manager Urich said he was not aware of any restrictions, but he would provide a Report Back with additional details. Council Member Ruckriegel said local programs supported by the funding should continue to be supported.

In response to Council Member Ruckriegel regarding on-site consumption regulations, Deputy Corporation Counsel Kapustka suggested on-site consumption would operate similarly to a tasting room. She said any product to be transported off-site could require a tamper-proof seal, like taking an open wine bottle from a restaurant, but she said she was unsure how open cannabis containment would differ. Council Member Ruckriegel said it was important to streamline existing regulations, such as changing Industrial Parks to a Special Use to match other Districts, noting acquiring input from the community was important.

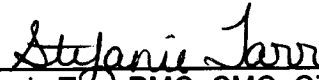
Discussions were held regarding the State licensing requirements of other cannabis-related businesses. Additional discussions were held regarding on-site consumption, intoxication, and adverse effects on crime rates.

Council Member Velpula inquired about imposing a temporary ban or establishing a cap on licenses in the City of Peoria. He asked for additional details on existing regulations approved by the Council. Deputy Corporation Counsel Kapustka said the Council had the authority to implement a moratorium, noting the majority of the social equity applications were issued in July and August. She said those applicants had 180 days to identify the location of their business. Regarding the distance requirement, she said those were made consistent with the rules and regulations of the liquor code.

Mayor Ali said the Council should work together to determine the best way to obtain broad level citizen input on limitations and on-site consumption.

Council Member Jensen said she was in favor of adding limitations to discourage saturation of businesses in the community. She said another Policy Session was appropriate to continue discussions in order to direct Staff on what changes to bring back for Council consideration.

Mayor Ali closed the Policy Session at 8:09 P.M.

Handwritten signature of Stefanie Tarr in black ink, written over a horizontal line.

Stefanie Tarr, RMC, CMC, City Clerk
City of Peoria, Illinois

cc