



Wayzata City Council Workshop Meeting Agenda
Wayzata City Hall Community Room, 600 Rice Street
TUESDAY, DECEMBER 5, 2023

WORKSHOP TOPICS FOR DISCUSSION:

1. Update on Status and Discussion of Municipal Cannabis Enterprise Feasibility Study Framework (5:30-6:30 p.m.)



City Council Workshop City Council Agenda Report

MEETING DATE: December 5, 2023	WORKSHOP AGENDA ITEM: 1
TITLE: Update on Status and Discussion of Municipal Cannabis Enterprise Feasibility Study Framework (5:30-6:30 p.m.)	
PREPARED BY: Emily Goellner, Community Development Director, Kathy Leervig, City Clerk, Marc Schultz, Police Chief, Aurora Yager, Deputy City Manager	
REVIEWED BY: Jeffrey Dahl, City Manager	

DISCUSSION OBJECTIVE:

To receive a status update on pending Minnesota state cannabis regulations and to discuss the framework of a feasibility study for possible municipal cannabis retail operations within the City.

BACKGROUND:

In the spring of this year, the State of Minnesota passed legislation that legalized the use, sale, and manufacturing of adult-use cannabis. This action was in addition to the legalization of low-potency hemp-derived THC products that was passed in 2022. As a result of all of this legislation, the City has recently acted on the following:

- Provided local regulation on the use of low potency THC products and adult-use cannabis by limiting use in public areas
- Approved a registration process for the sale of low potency THC products within the City
- Adopted a moratorium which prohibits the sale, distribution, and manufacturing of adult-use cannabis until 2025

The rationale for the adoption of the moratorium was to both allow time for the state to come up with the details of the administration of adult-use cannabis through their newly established Office of Cannabis Management and for the City to study the feasibility of operating its own municipal dispensary, since the state legislation allows cities the opportunity to do so. The City Council has prioritized the consideration of operating a municipal dispensary in its updated Strategic Plan.

At the workshop, staff will be providing a verbal update of the progress that state officials have made in the administrative set-up of the legalization of cannabis. In addition, staff will go over the attached draft feasibility study framework with hopes of receiving a lot of feedback. For additional context to the discussion, also attached is a presentation by RISE dispensaries, which provides information about existing medical cannabis retail operations in Minnesota. This presentation was provided to members of the League of Minnesota Cities in October.

Next steps will be to engage a consultant, potentially partnering with other municipalities, to conduct a feasibility study that would explore business scenarios based on all the information we have now. This study will help the Council to make the most informed policy decisions as it relates to the operation of a municipal dispensary.

ATTACHMENTS:

1. Wayzata Municipal Cannabis Enterprise Feasibility Study Framework - 11-29-2023
2. RISE Dispensary Retail Cannabis Presentation to LMC Oct 2023



Municipal Cannabis Enterprise Feasibility Study & Decision Timeline

Approach and Framework for Feasibility Study

1. Identify **Leaders** on City Council
 - a. Frequent check-ins with Mayor and Council, identify crucial points of decision by Council
2. Establish **Team** and Process
 - a. Conduct informal SWOT Analysis, identify work to be conducted by consultants, identify work to be conducted by City staff, identify other municipalities interested
3. Review and Refine Details and **Budget** for Feasibility Study
 - a. \$100,000 allocated in 2024 City Budget (preliminary)
4. Establish a **Timeline** for Study, Review, and Decisions
 - a. Identify key points of decision-making within the overall process
5. Conduct an initial **Financial Feasibility Analysis** (high-level business plan options, variety of scenarios)
 - a. Select a consultant ideally with cannabis retail market expertise, municipal enterprise expertise, and business planning expertise
6. Establish **Community-Driven Vision and Guiding Principles for Decisions**
 - a. *Rationale*: Community-driven work is crucial to support Council Members in decision-making processes, avoid major disruptions to the study process, and insulate staff from political debates about state-level cannabis legalization
 - b. Establish Guiding Principles, Vision, and Public Purpose
 - i. Public safety – strict compliance with state regulations and best practices
 - ii. Health and wellness of residents – acknowledge medicinal purposes of cannabis and ability for city to control sale (similar to alcohol)
 - iii. Muni Legacy – resident-focused business, profits to be utilized for public projects
 - c. Consider establishing a Cannabis Enterprise Feasibility Study Task Force
 - i. Task Force could include focus on the following topics: Public Safety, Fiscal Responsibility, and Muni Legacy
 - d. Consider hosting community engagement sessions

Timeline of Tasks to Reach First Crucial City Council Decision Point:

Q4 2023	- Meet with other interested municipalities and League of MN Cities and gather information that will help establish a more detailed timeline and list of tasks - Meet with potential consultants that could conduct a feasibility analysis - Explore cost sharing opportunities with other interested municipalities for consultant agreements associated with this study
Q1 2024	- Select consultant to execute early/high-level feasibility analysis - Execute contract and begin analysis - Continue meeting with other interested municipalities to share information - Monitor Office of Cannabis Management (OCM) rulemaking process
Q2 2024	- Review results of analysis with City Council - Draft a timeline and work plan for establishing a community-driven vision and guiding principles for decision-making

June 2024	First Crucial City Council Decision Point: Decide whether to continue studying feasibility of municipal cannabis enterprise or to stop studying feasibility
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Study Areas *(generally listed in order; options will be vetted throughout entire study process)*

Financial Analysis	Finance, Consultant
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- Study feasibility of an early business plan with variety of scenarios
- Determine how to predict sales volume in order to predict profits
- Identify need for bonds/loans necessary to start enterprise

Risk and Liability Insurance	Legal & Finance
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- League of Minnesota Cities Insurance Trust (LMCIT) will recommend potential insurance provider

Location Needs and Potential Issues	Planning
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- Identify opportunities and risks with leasing or owning space used for retail operations
 - Owned property: Muni property has additional space on west side of the building for potential addition, no property taxes, high costs for construction of addition
 - Leased property: many property owners are not interested in leasing to cannabis retail tenant, rent would likely be a significant expense, rent would likely need to be paid far in advance of opening day of retail sales, renovation costs of a retail space could be significant, no location identified yet
- Parking
 - RISE dispensaries, which includes 7+ dispensaries in MN, have seen online sales hold steady at 70% of sales since the pandemic – this could lead to more 15-minute parking spots specifically for pick-up orders and less parking needs overall due to high turnover
- Pickup area
 - 15-minute parking spots could be offered, but OCM is likely to require that customers need to come into the building to verify identification for product pick-up
- Delivery area
 - Delivery rules need to be further established in the State Rulemaking Process
 - Could review the option of offering delivery to only Wayzata residents at low/no cost to reduce parking demand on retail location
 - This could be paired with alcohol delivery if that could be permitted by local ordinance
- Zoning regulations – likely to be allowed in all commercial zones, potentially as conditional use
 - May include restriction in proximity to schools
 - State law sets general parameters

Facility Needs	Development Team + Facilities Team
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- Specific requirements will be released by OCM through rulemaking process, but likely to include:

- Loading bay that can be secured (deliveries are most vulnerable to theft), Secured vestibule area for customer age identification, Vault, Retail space, Extensive security camera system, separation from liquor store operations

Banking	Finance
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- Existing bank relationship is unlikely possible, but inquiry has not been made yet
- High risk merchant account is likely necessary

Product Sourcing	Wine & Spirits, Consultant
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- System or brand relationships to procure lowest price on high quality brands
- Focus on high quality products with strong profit margin
- Keep inventory as simple as possible to ensure profits, compliance, and budtender knowledge

Staffing Plan, Benefits, Payroll, Hiring	HR
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- Staffing analysis likely to show need for a Store Manager, Compliance Manager, Inventory Manager, Retail staff (budtenders) – need to be highly trained in products, Accountant and HR (provided in-house or combined with other enterprises?), possibly a Security staff (cameras and controlled access doors are typically sufficient to avoid the need for an on-site security staff/police officer)

Office of Cannabis Management License (OCM)	Clerk
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- Monitor ongoing process of state administration and rulemaking under the new law
- City may limit the number of licensed cannabis retailers to no fewer than one registration for every 12,500 residents.
- Only one license will be issued in City of Wayzata if prohibition is put in place for only one
- City should apply as soon as possible, and be ready when state regulations take effect
- City issues a registration after a state license has been received to verify that it means time, place, and manner restrictions set at the local level (such as a restriction around proximity to schools) – there is technically not a local licensing program – license is issued by OCM

Ordinance and City Charter Amendments	Legal
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- Under current state law, City may limit the number of licensed cannabis retailers to no fewer than one registration for every 12,500 residents via local ordinance
- City Ordinance and possibly Charter will require amendments to establish a Municipal Cannabis Enterprise

Tax Collection	Finance
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- Process TBD

Fall Forums

LEAGUE
OF
MINNESOTA
CITIES

2023



THROUGH THE SMOKE: A GLIMPSE INTO RETAIL CANNABIS

OCTOBER 2023

 **+ DOGWALKERS +**
CANNABIS PRE-ROLLS



RYTHM

BEBOE

THE CREDIBLE EDIBLE
incredibles

Shine

**Doctor
Solomon's**

**Good
Green**



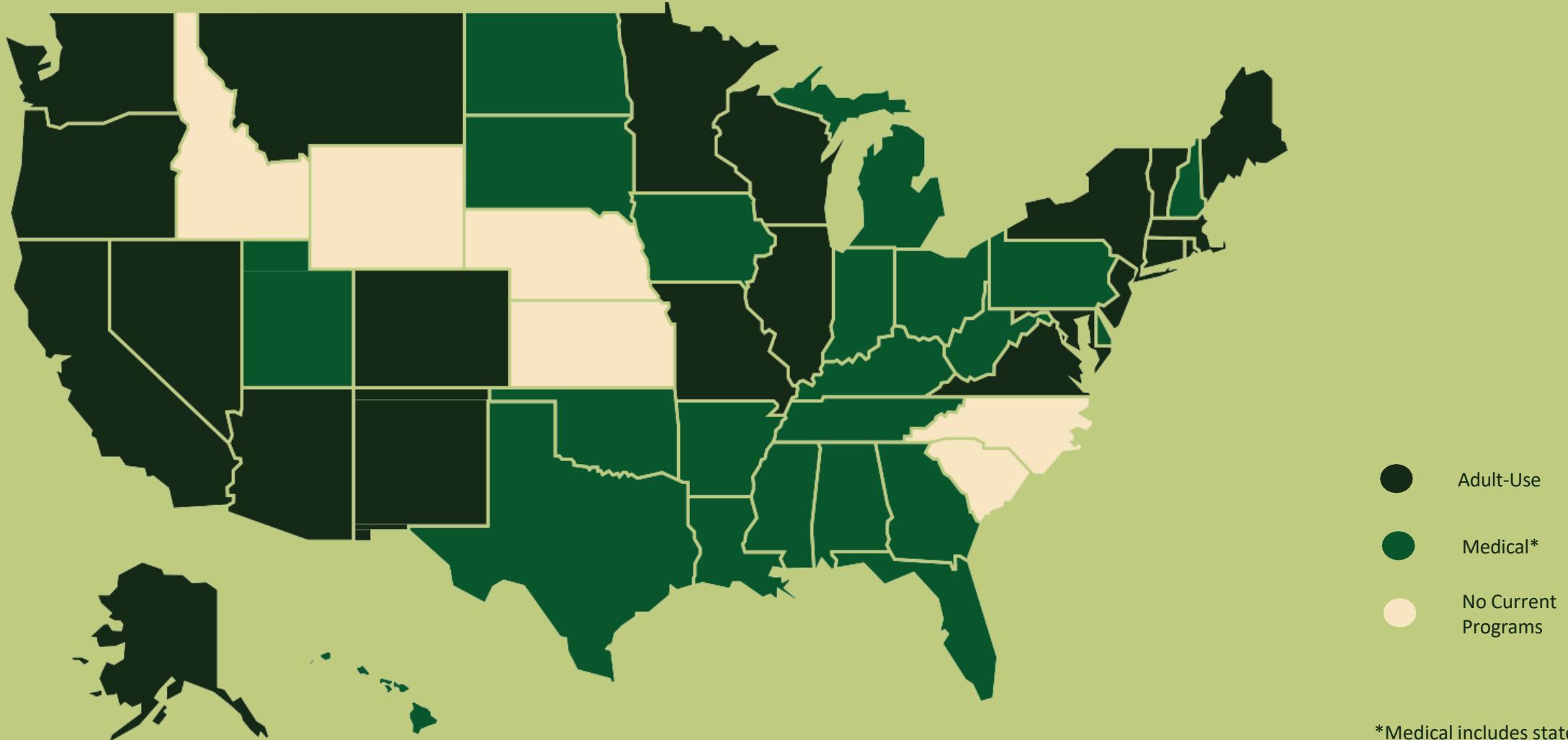
OUR MISSION



To promote well-being through the power of cannabis.

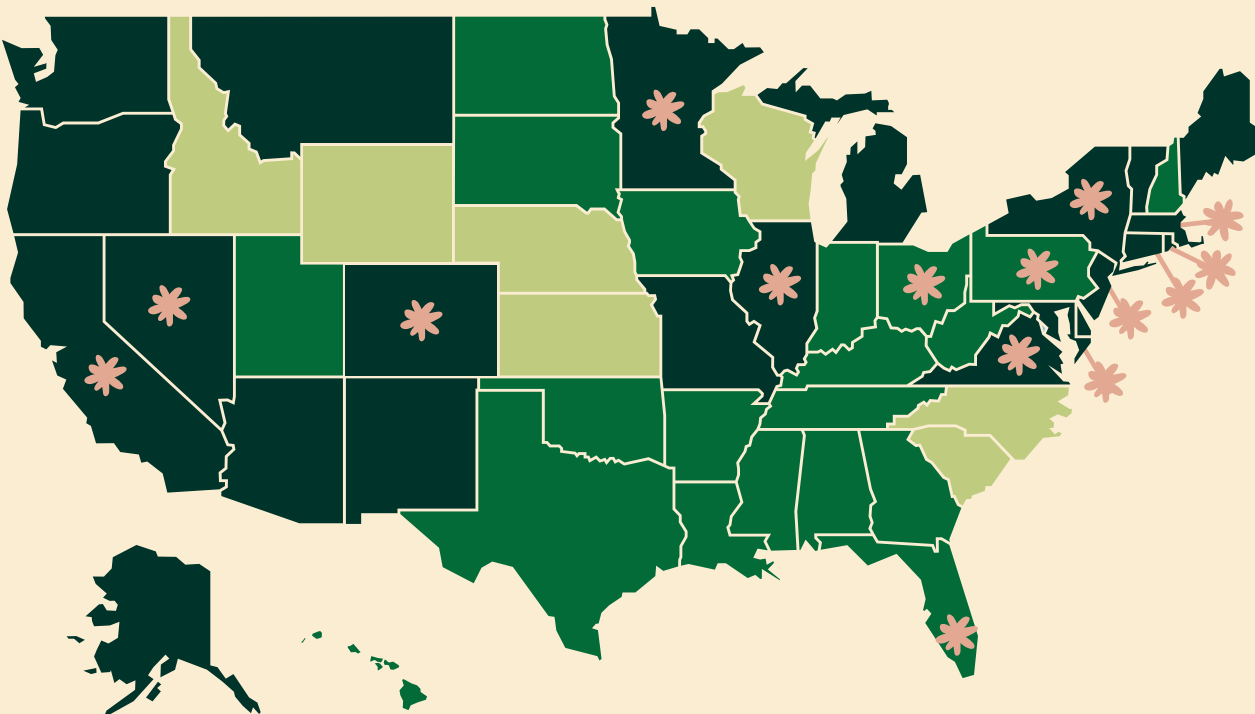


US Cannabis Landscape: The Green Wave Continues



RISE Dispensary:

National Footprint



 STATE IN WHICH GTI OPERATES



RISE Dispensary:

Minnesota Footprint



-  CULTIVATION FACILITY
-  RISE DISPENSARY



T together
E everyone
A achieves
M more



WHO SHOPS AT A RETAIL DISPENSARY?

54%
MALE

46%
FEMALE

58% ADULT
USE
CONSUMERS
VS
42% MEDICAL
PATIENTS

51% HAVE
REPLACED
PRESCRIPTION
MEDICATIONS
WITH CANNABIS

83% SEEKING TO
BETTER SLEEP,
RELAXATION, STRESS
RELEASE, ANXIETY
REDUCTION, AND
PAIN MANAGEMENT



RISE New Hope: *What the customer journey looks like*





access controlled door

the front door proceeds into
the secured vestibule

access controlled door

FIXTURES SUPPORT THE IN-STORE EXPERIENCE



What about transaction times?



Pre-orders placed online in advance of arriving to the retail facility.



Average Ticket Size/Transaction



Pre-order Transaction Time



Walk-in Transaction Time

Consumer buying habits have shifted online, reducing time spent in a retail location.

POLL #1

WHAT IMPACT DOES THE TRANSACTION TIME HAVE ON THE RETAIL LOCATION?

- A. Revenue generation
- B. Customer retention rate
- C. Retail site circulation
- D. All of the above

What about retail operational considerations?

RISE Dispensary's Proposed Adult Use Hours of Operation

MON: 9am-7pm
TUES: 9am-7pm
WED: 9am-7pm
THUR: 9am-7pm
FRI: 9am-7pm
SAT: 9am-7pm
SUN: 10am-6pm

HF 100 Proposed Adult Use Hours of Operation

MON: 8am-2am
TUES: 8am-2am
WED: 8am-2am
THUR: 8am-2am
FRI: 8am-2am
SAT: 8am-2am
SUN: 10am-2am

*Cities may restrict operational
hours to 10am-9pm all days

What will the retail location look like from the exterior of the building?

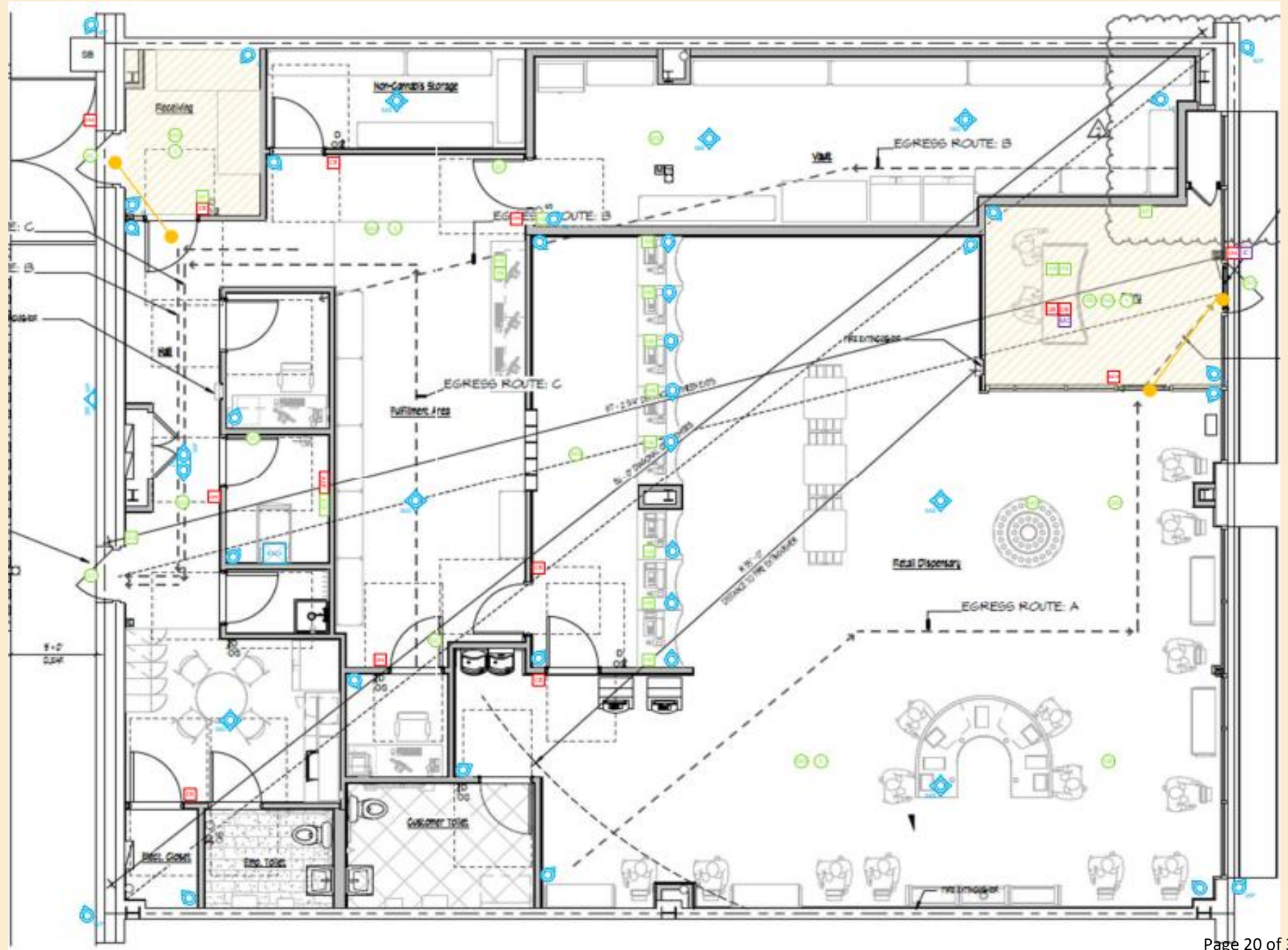


SAFETY & SECURITY

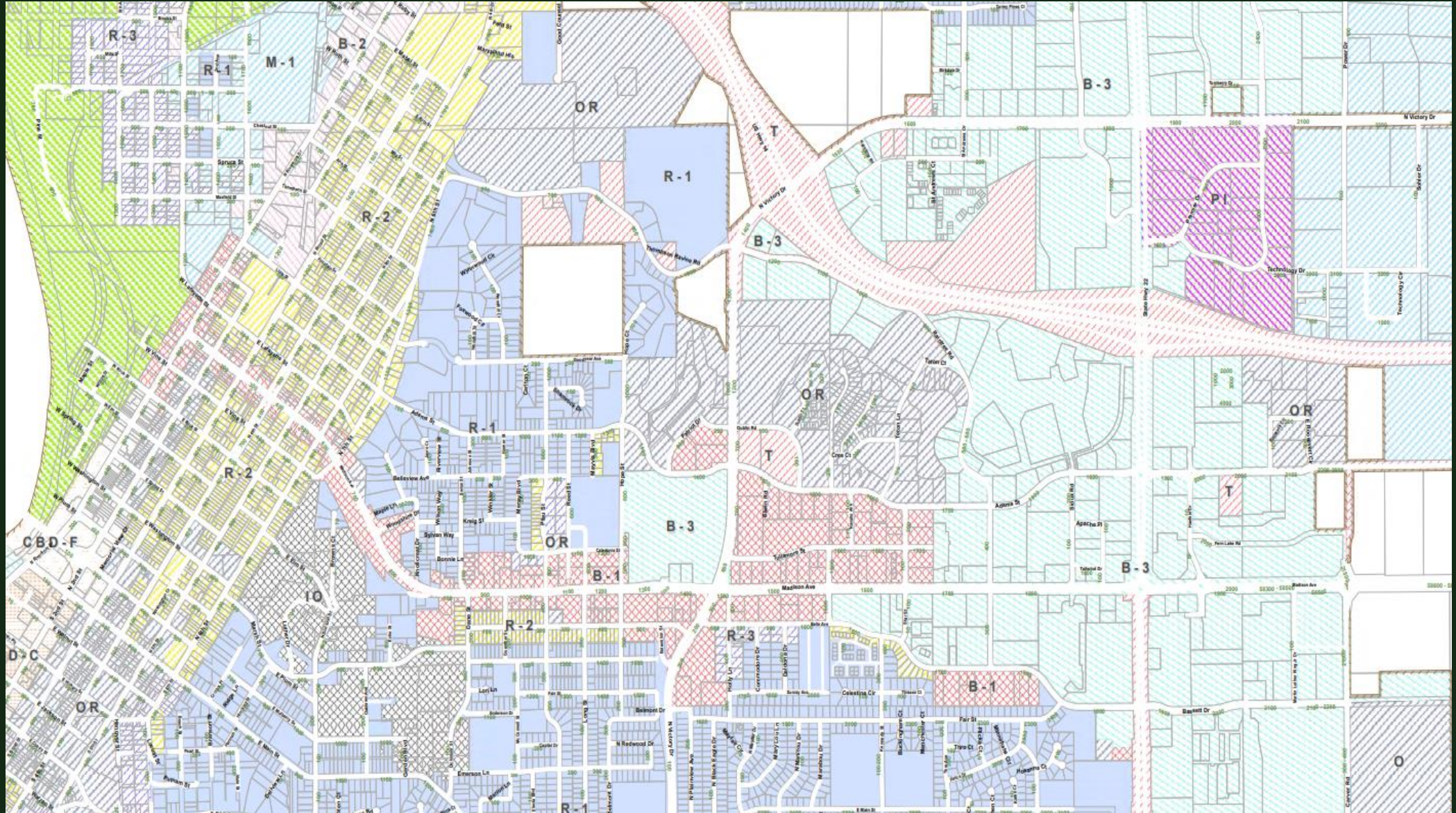
- *42 cameras
- *17 panic buttons
- *14 access-controlled devices

A retail cannabis dispensary in your community does not correlate to an increased crime rate.

Source: [Norml.org](https://norml.org)



*Where
would a
retail
cannabis
facility fit
in your
City?*



POLL #2

WHAT IS THE LARGEST HURDLE TO SECURING CANNABIS RETAIL REAL ESTATE?

- A. Complying with state and local required separation distances from sensitive uses (ex. schools, community facilities)
- B. Finding landlords amenable to the dispensary use
- C. Finding properties unencumbered by debt
- D. All of the above

WHERE CAN WE OPERATE?

Maintaining compliance with state and local separation distance requirements eliminates many viable retail locations and the potential for adaptive reuse.

CURRENT MEDICAL SEPARATION DISTANCES	Proposed Adult Use Separation Distances	Consider:
1000' school	1000' school	Adopting reasonable restrictions akin to how your municipality regulates liquor stores or other retail uses.
	500' day care, residential treatment facility, or attraction within a public park regularly used for minors including a playground or athletic field	





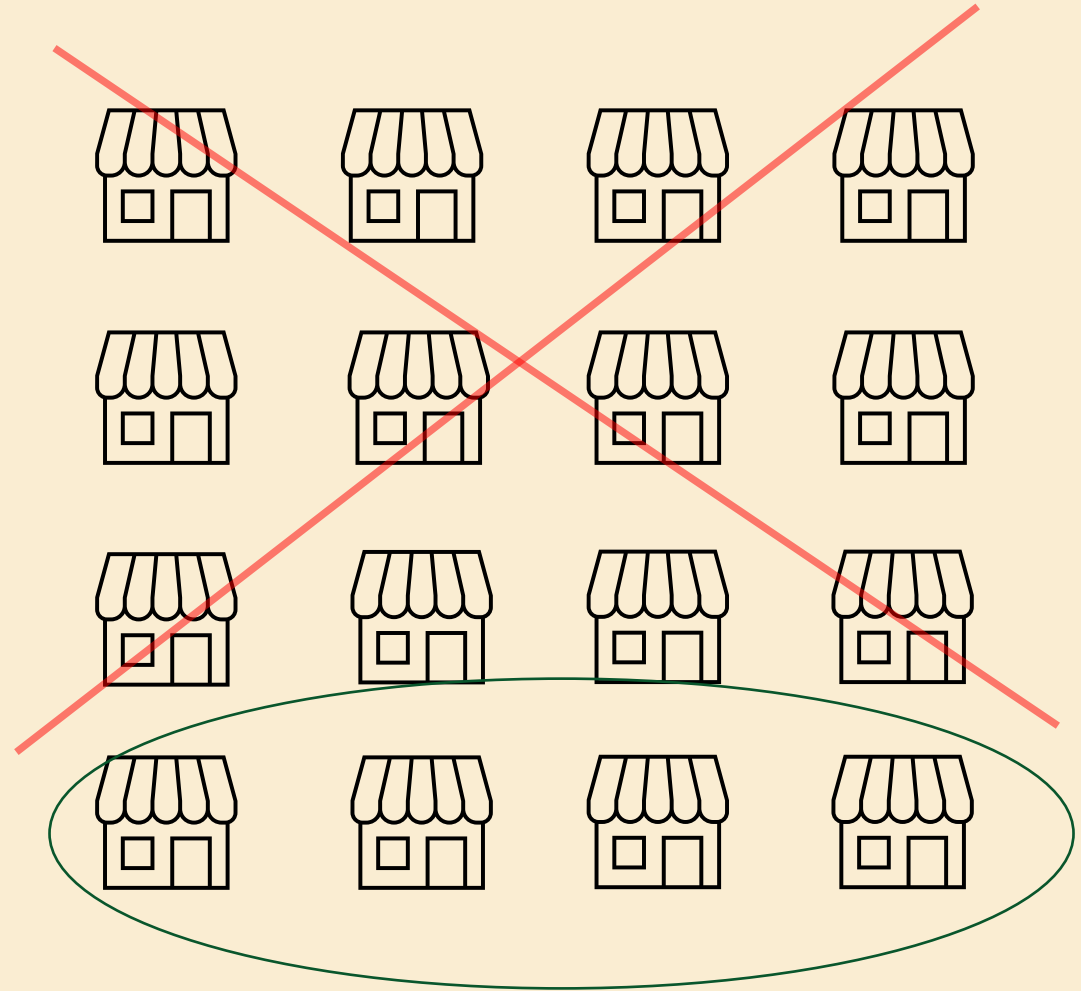
**THE PERCENTAGE OF
LANDLORDS WHO IMMEDIATELY
CEASE NEGOTIATIONS UPON
LEARNING THE PROPOSED USE IS
RETAIL CANNABIS**

Separation
Distances

Landlord
Stigma

Mortgage
Debt

In our experience, only **1/4**
of available commercial real
estate is potentially viable
for cannabis retail.

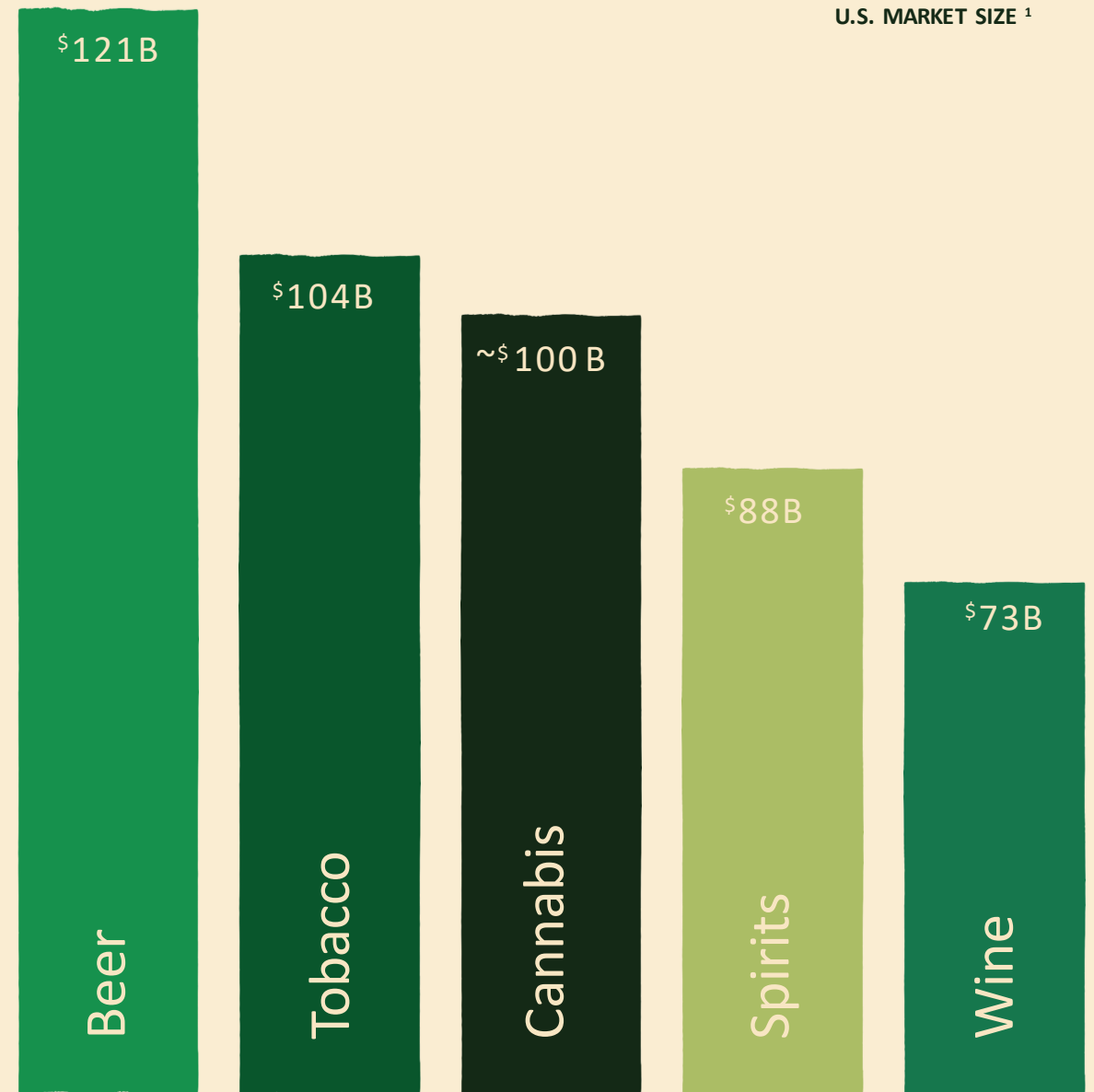


WHEN? Q1 2025*ish*

2025 JANUARY						
SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
29	30	31	 1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	1

Projected U.S. Cannabis Market Opportunity Rivals Alcohol and Tobacco

Projected market size of cannabis comparable to current market size of well-established consumer products categories.



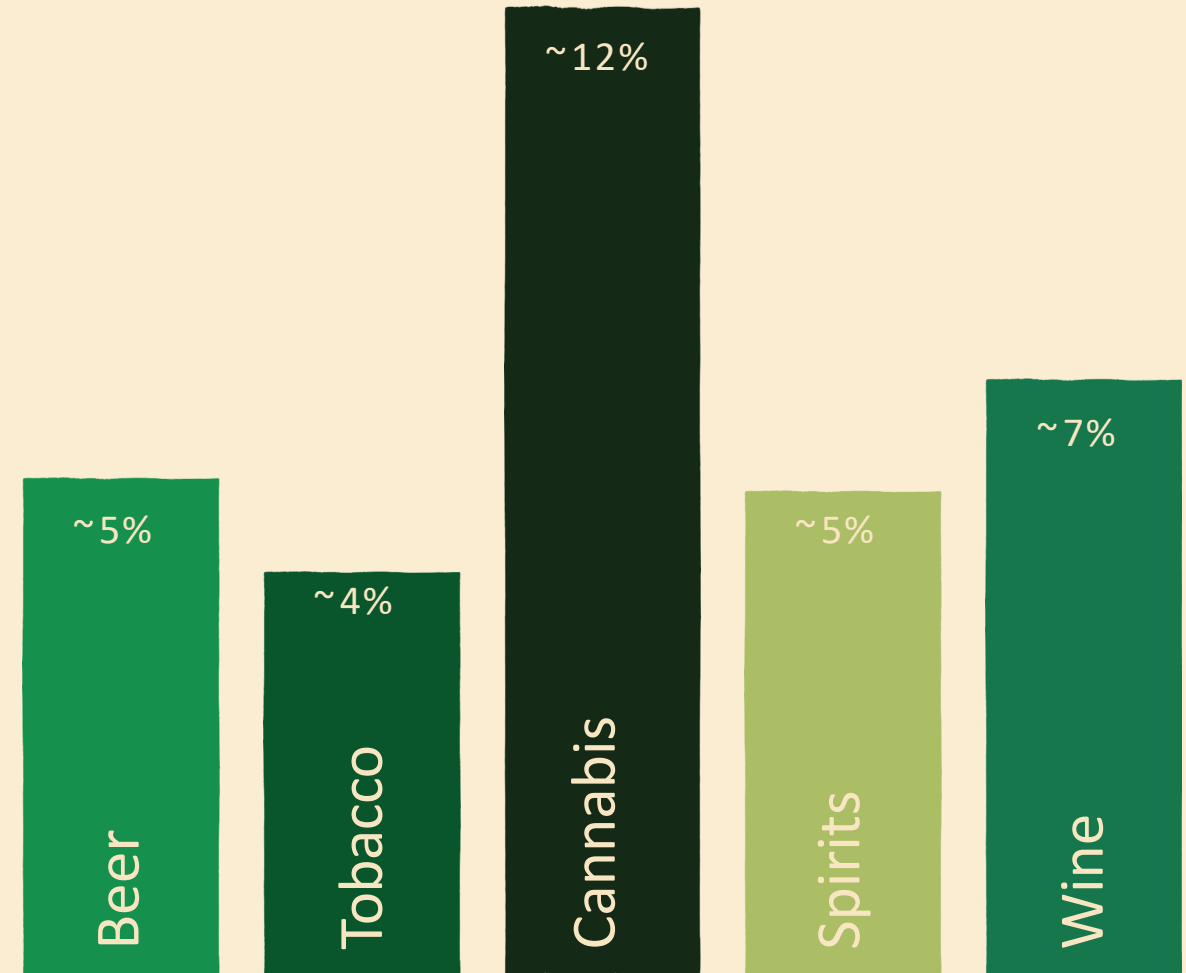
¹ Data reflects 2023 market sizes, except Cannabis category which reflects 2030 projections from industry analysts Source: Statista; Grand View

Significant Growth Expected in the Cannabis Industry Over the Next Decade

Growth fueled by consumer demand and increased access to distribution channels.



PROJECTED ANNUAL GROWTH RATE ¹



¹ Data reflects 2023 – 2027 CAGR, except Cannabis category which reflects 2027 CAGR from Cowen as of August 2022 Sources: New Frontier Data; Grand View; Statista; Cowen

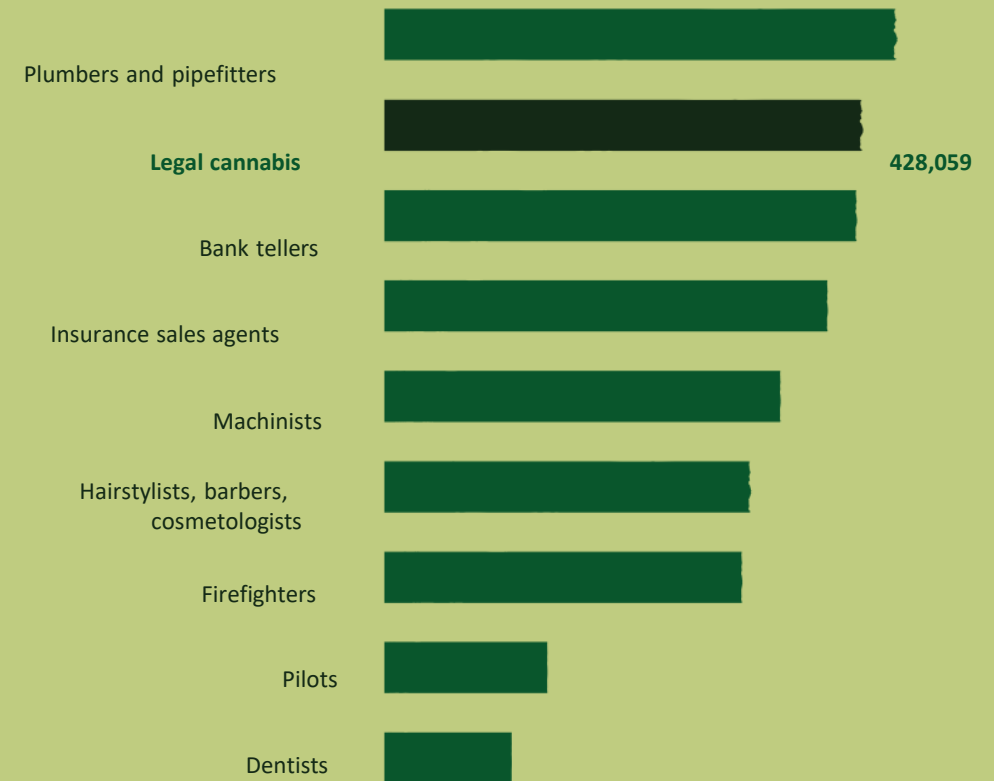
Legal Cannabis Stimulates Local Economies Through Job Creation

As of January 2022, cannabis legalization had created nearly 500,000 jobs industry wide.

The cannabis industry creates
280 new jobs per day

The jobs created are both “plant touching” and representative of indirect, ancillary job creation.

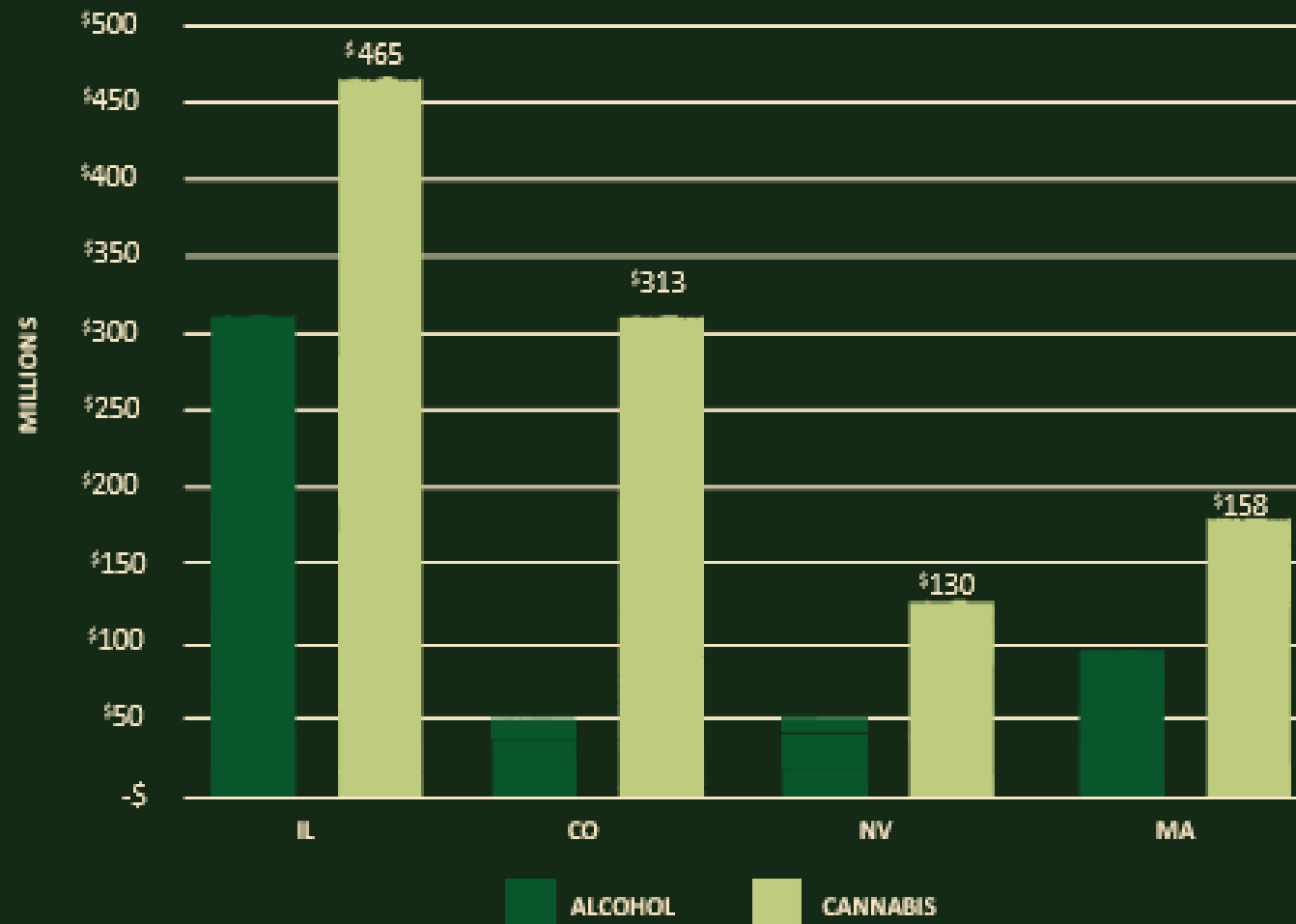
Legal Cannabis Jobs Have Surpassed Dentists and Firefighters



TAX REVENUE

Tax Revenue From Cannabis Exceeds Alcohol In Well-Established Markets

2022 TAX REVENUE ¹



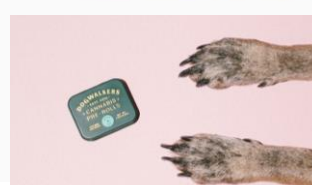
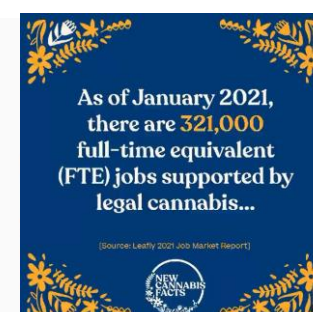
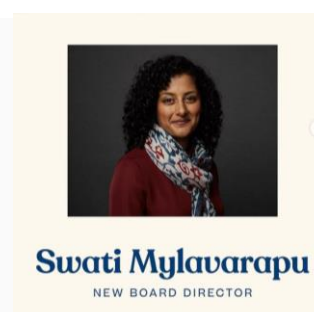
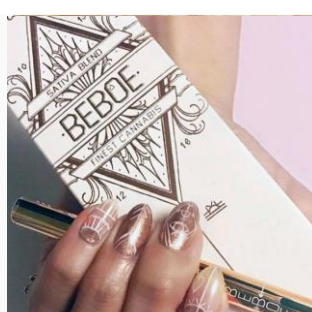
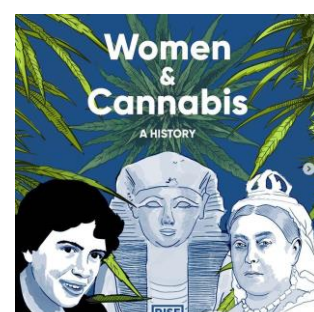
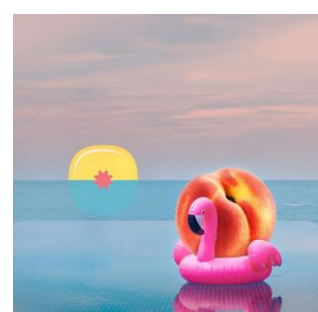
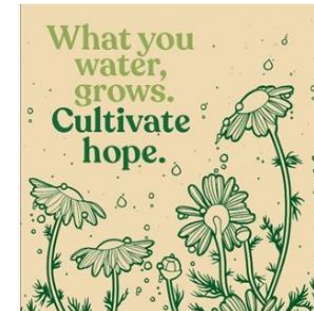
¹ Data reflects tax information for the full calendar year 2022 (January 2022 through December 2022 or states' most recent reporting period). Sources: MA Department of Revenue; CO Department of Revenue; State of NV Department of Taxation; IL State Comptroller of Revenue.



POLL #3

WHICH FACET OF RETAIL CANNABIS WAS
NOT COVERED TODAY, BUT YOU WOULD
LIKE TO LEARN MORE ABOUT?

- A. Deliveries of cannabis products from a cultivator to a retail store
- B. Quality control for cannabis products
- C. Cash handling protocols



Fall Forums

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