

# 2022 Licensing Fees and Cannabis Retail Licence Fee

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## **A. Licensing fees**

- Council authority on fees
- Licensing fee revenue
- Considerations for fee increase for 2022
- Recommended fee increases for 2022

## **B. Cannabis retail licence fees**

- Background on cannabis retail licensing
- Difference between cannabis retail and other forms of retail
- City's cannabis retail costs
- Considerations for fee reduction and Guiding Principles
- Options and recommended fees for 2022

## **C. Summary of recommendations**

## A. Licensing Fees

# Council authority on licensing fees

## VANCOUVER CHARTER

### Part VI Licences ~ Fixing Fees

Section 272 (1)(b): *“Fixing the fee for the granting of any permit or of any licence, which may be in the nature of a tax for the privilege conferred by it.”*

**Council can set licence fees above the cost of administration provided the fees do not prohibit businesses.**

## BY-LAWS

### Licence By-law #4450, Vehicles for Hire By-law #6066, Animal Control By-law #9150

Business licence, vehicles for hire, dog licence and other animal related fees (i.e. licensing fees) are set through by-laws.

## FEE SETTING AND USE

### Past decisions

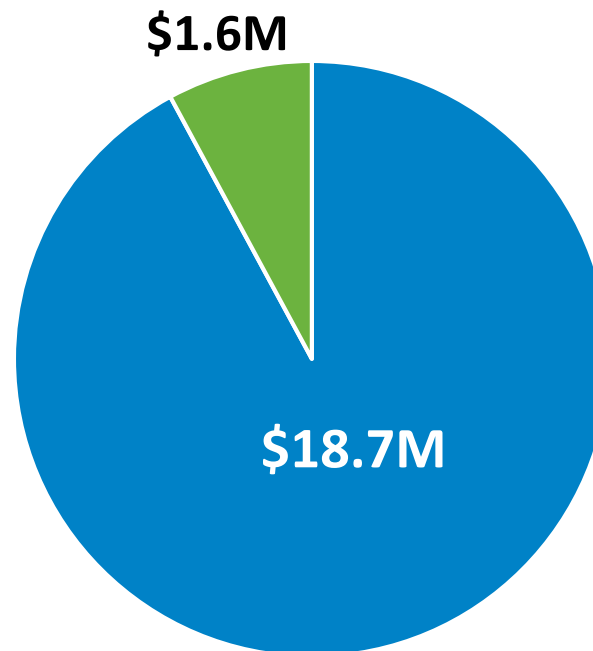
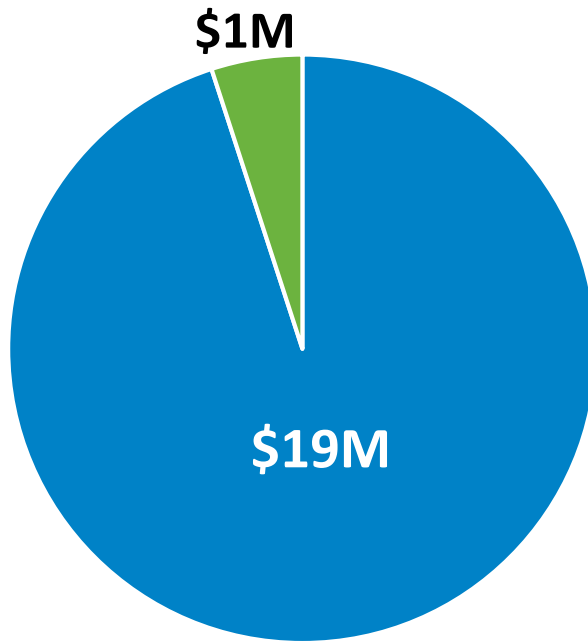
Licence fees fund licensing operations, including by-law enforcement.

Because of Charter authority, the City has historically generated a surplus from licensing fees, which is used to offset the cost of other City services.

# Licensing fee revenue (2021)

BUDGET ANNUAL REVENUE (2021)

ACTUAL YTD REVENUE (AUG. 2021)



- Licensing (excluding cannabis retail)
- Cannabis retail

**TOTAL BUDGET = \$20 million**

**TOTAL YTD ACTUAL = \$20.3 million**

- Year to date, the City is under budget for licence revenue excluding cannabis.
- Cannabis licence fee revenue higher than budget due to higher than expected volume of licences.

# Factors to consider for licensing fee increases in 2022

## **IMPACT OF KEEPING LICENSING FEES UNCHANGED IN 2021:**

- In 2021, licensing fees were not increased even though the City experienced fixed costs increases to the licensing program.
- Licensing volumes and revenue were also projected to be lower than 2020 levels.
- As part of the 2021 Budget, the City planned to tap into reserves to cover projected shortfall.

## **IMPACT OF INCREASES TO THE COST OF EXISTING SERVICES:**

- Staff are projecting a **\$602,000** increase to the cost of existing licensing services due to inflation and the wage impacts from the new Collective Agreement with Local CUPE 15.

## **IMPACT OF NEW STAFFING:**

- Council directed staff on March 31, 2021 to endeavor to substantially reduce licensing backlog by Q2, 2022.
- Staff are recommending the regularization of three existing TFTs and add two new seasonal TFTs to address the licensing backlog and provide efficient services while DBL continues to look at licensing efficiencies and process enhancements.
- Total cost of staffing additions including salary and benefits is **\$224,000**.

## ✓ RECOMMENDED

### A. 5.0% increase to fees under the License By-law and Vehicles for Hire By-law, comprising of:

- A 3.8% increase to account for increases to existing costs
- A 1.2% increase to pay for new staffing to address licensing backlog and increase efficiency in processing of licensing applications.

(Note that live-aboard fees will increase by 4.78% per Council policy.)

### B. 3.8% increase to fees under the Animal Control By-law to align with increases to existing costs.

(Note adoption fees for some birds and rodents will increase by \$1)

## **B. Cannabis retail licence fees**



# Background: Current fees and Council direction



## CURRENT CANNABIS LICENCE FEES

Fee Type	Fee
One-time application fee	\$99
Annual Business Licence fee	\$33,958
<b>Total First-year Fee Payment</b>	<b>\$34,057</b>

## COUNCIL DIRECTION

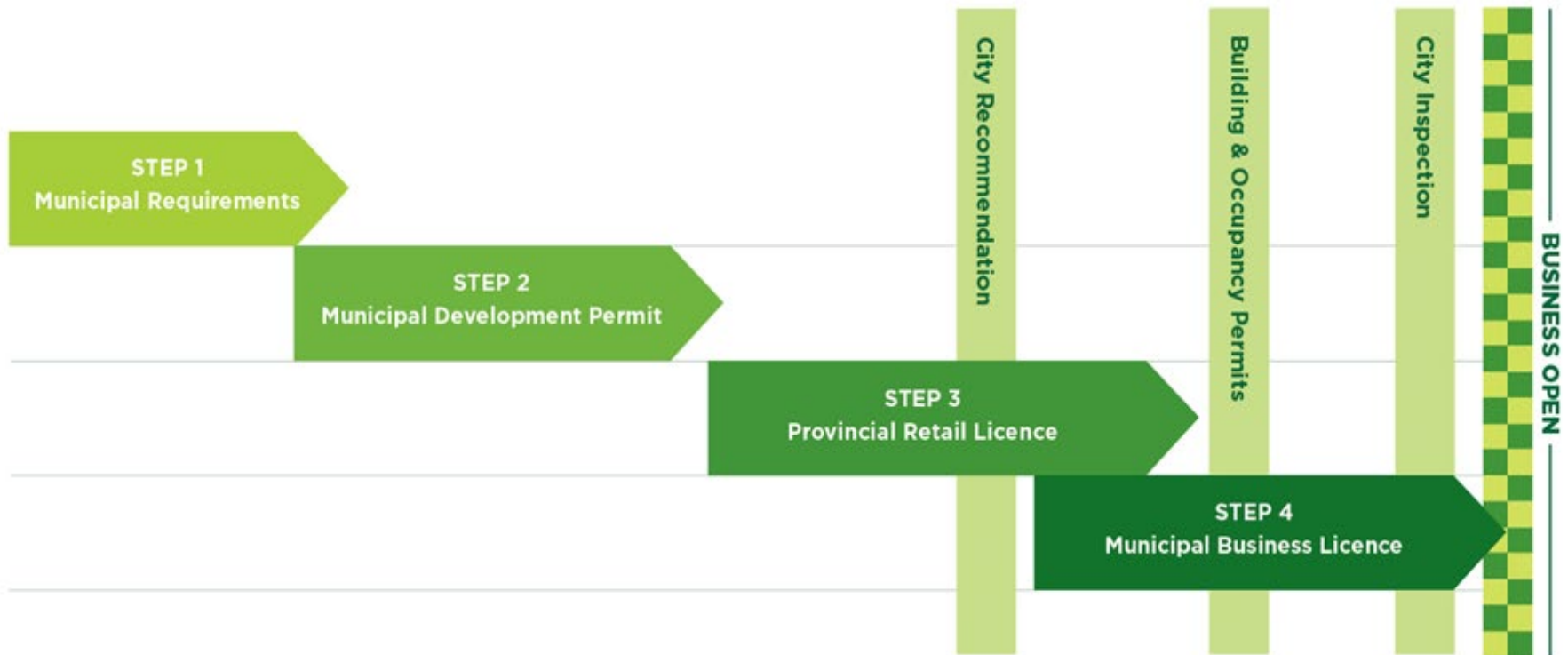
### **Motion B.8: “Aligning the Cannabis Licence Fee Structure to Support Vancouver Businesses”**

On Feb. 18, 2021, Council directed staff to:

*“prepare an alternate fee structure that reduces the cannabis retail license fee to better align it with other retail license fees in the City of Vancouver and support businesses seeking to enter the legal cannabis retail market, with recommendations to take effect by the next renewal of the business license fee.”*

# Background: Cannabis retail licensing process

- Issuing a Cannabis Retail licence is a multi-step process due to the requirement for a provincial licence and local government recommendation:



# Background: Cannabis retail enforcement

- The Province, local municipalities, and the police are responsible for separate areas of enforcement:

**Community Safety Unit (CSU)** enforces *Cannabis Control and Licensing Act*, focusing on illegal product

**Vancouver Police Department (VPD)** maintains public safety and enforces the federal *Cannabis Act*

**City of Vancouver (COV)** enforces local land use and licensing by-law requirements for cannabis retail

## City enforcement on cannabis retail:

- Stores operating without the required permits and business licences are subject to enforcement actions, including inspection by Property Use Inspectors (PUIs), Licence Orders to both the owner and operator, and prosecution in Provincial Court.
- Staff have closed 65 illegal stores since 2015.
- Eight (8) illegal stores still operating and subject to enforcement.

# Difference between cannabis retail and other retail categories

- Cannabis retail has a higher implementation costs than the City's other retail licence categories due to statutory and process differences:

	CANNABIS RETAIL	LIQUOR RETAIL	OTHER RETAIL
Provincial licence required	✓	✓	✗
Moratorium on new provincial licences	✗	✓	✗
Local government comment required	✓	✗	✗
Enforcement effort	Ongoing due to illegal stores	No known illegal stores	Minimal enforcement
Current licence fee (2021)	\$33,958	\$429	\$155 - \$4,595

# Estimated cannabis retail licensing costs

FUNCTIONS	2019	2020	2021
Policy development	37,500	52,500	12,700
Business licence application review and renewal	167,000	104,000	50,900
Enforcement (excludes VPD)	458,500	380,500	212,000
<b>TOTAL COSTS</b>	<b>\$663,000</b>	<b>\$537,000</b>	<b>\$275,600</b>

Cannabis retail costs have **decreased** due to:

- Less policy resources required as enabling by-laws have been enacted;
- Efficiencies over time in the processing of licences (i.e. remove redundant steps for issuing recommendation to LCRB); &
- Decrease in the number of illegal cannabis stores due to enforcement successes – less legal and PUI costs required.

**Note** the City looks at total Business Licence revenues and costs on a program level. The City does not typically budget revenue and costs at the individual licence fee level.

# Considerations for setting new cannabis licence fee



- City's authority under the *Vancouver Charter*
- City's financial practices regarding licensing fees
- Stakeholder feedback (June and September 2021)
- Impact of cannabis retail on City finances since legalization
- Impact of reducing fees on City's 2022 Operating Budget

# Guiding principles for setting new cannabis licence fees



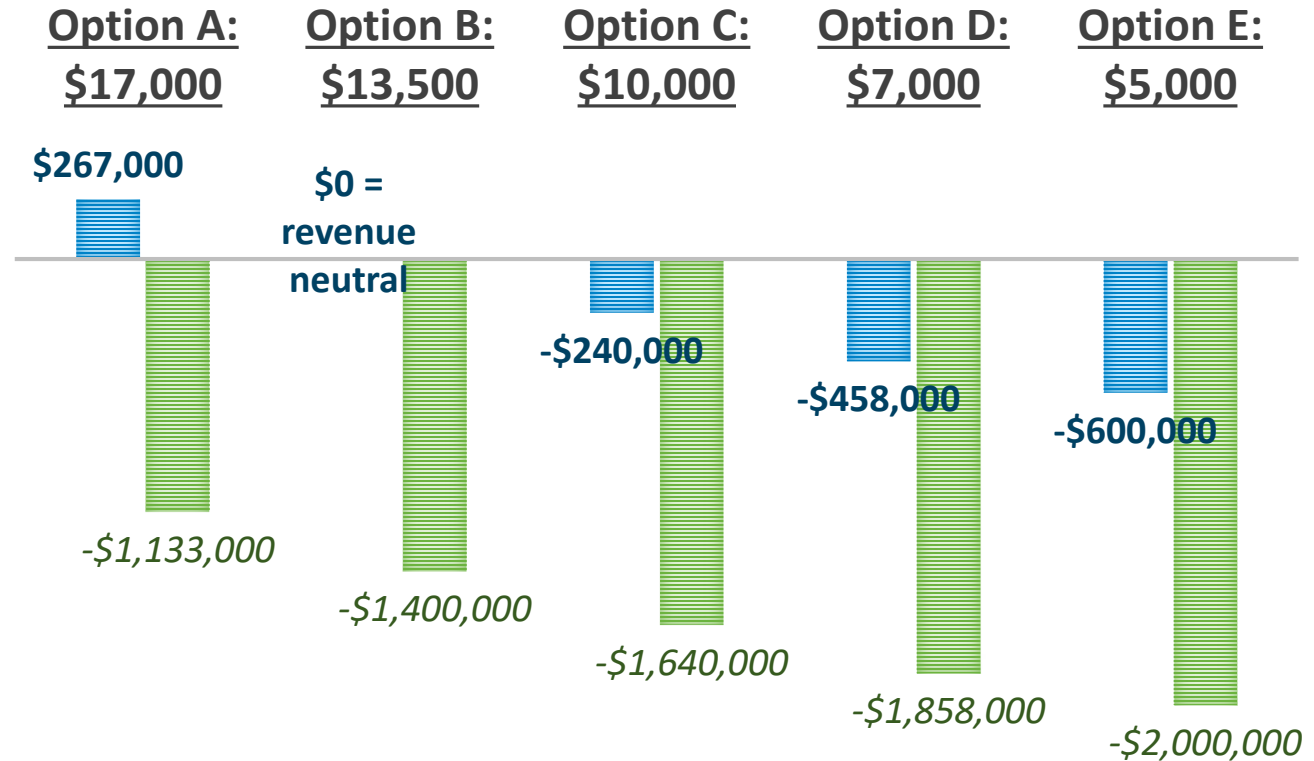
1. Enable **cost recovery at a minimum**, including for by-law enforcement, while **reducing fiscal impact on the City**.
2. Enable the City to **recoup cost of application processing upfront**, including retail applications that do not go through to completion.
3. Encourage **compliance and entrance into the legal market** for prospective retailers.

# Cannabis retail licence fee options

## 2022 LICENCE FEE OPTIONS:

■ Revenue impact against 2021 Budget (\$1 million) that needs to be offsetted by other revenue or cost decreases as part of the 2022 Budget Process

■ Revenue impact against revenue in 2022 if current fees retained (\$2.4 million)



Any significant decrease to fees will result in a significant decrease to City-wide budgeted revenue



## ✓ RECOMMENDED: Phased reduction to cannabis fees

### Application Fee

**\$2,500**

- Increase from current \$99
- **Rationale:** to fully recoup City's upfront costs to provide a recommendation on a LCRB licence application
- Only paid by new retailers

### Annual licence fee

2022: **\$13,500**

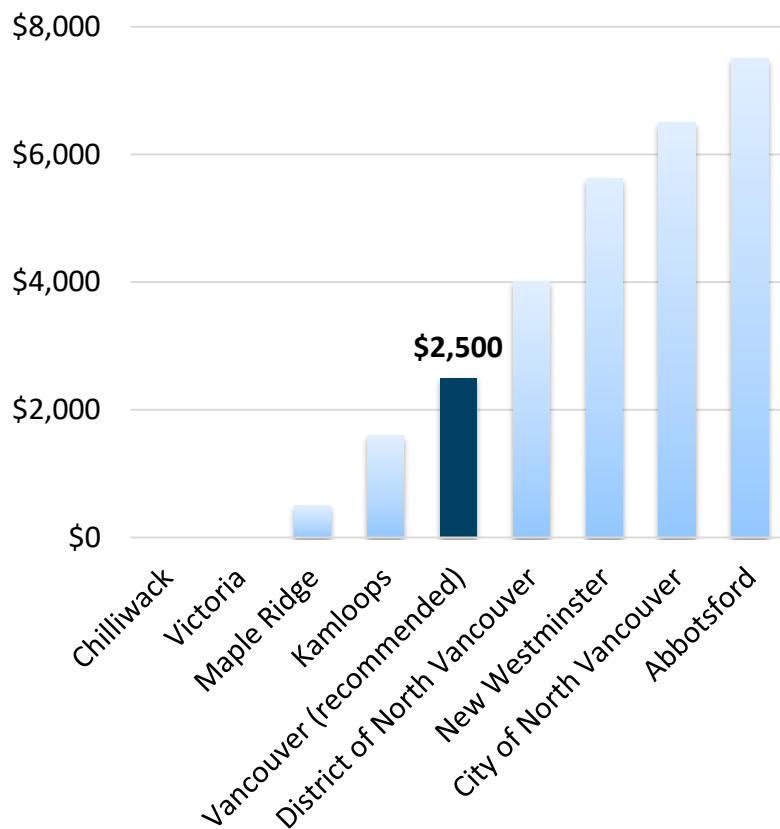


2023: **Staff to bring recommendations for a further reduced fee, including considerations for a fee of \$5,000**

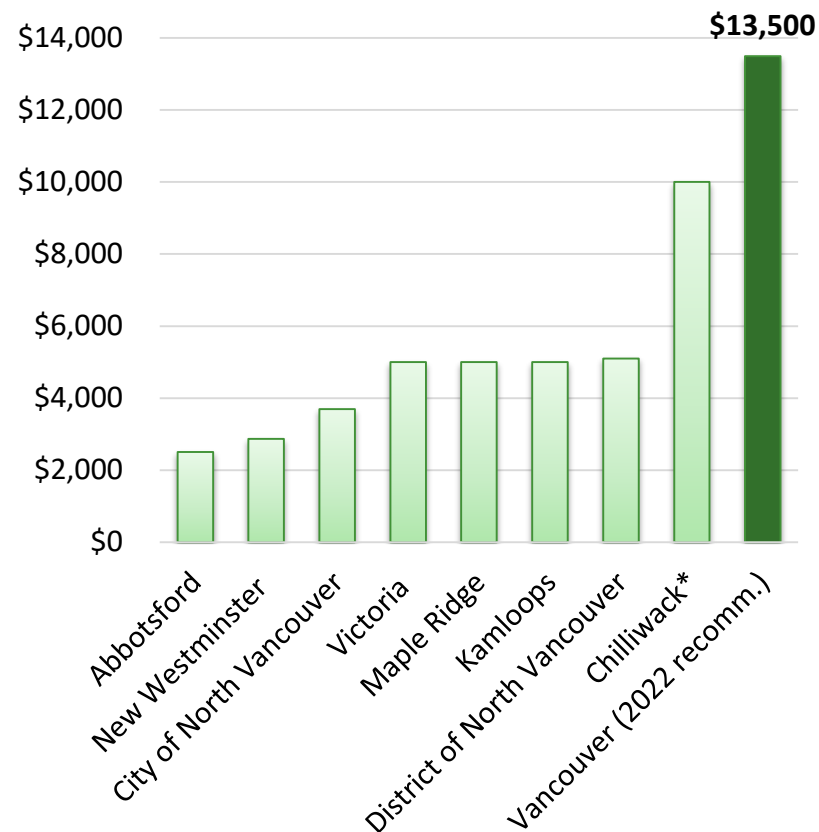
- Substantial reduction from current \$33,958 fee
- **Rationale: Budget neutral in 2022 compared to 2021**, fee for 2023 to be considered in the context of the 2023 Operating Budget
- Paid by all retailers (i.e. new and existing)

# How does the recommended fee compare with other BC cities?

## ONE-TIME APPLICATION FEE



## ANNUAL LICENCE FEE



**Note:** Licence fee in Chilliwack will be reduced to \$2,500 in 2022

## C. Summary of recommendations

### Licensing fees:

- **5% increase** to License By-law and Vehicles for Hire By-law fees to account for existing cost increases and staff additions to address licensing backlog
- **4.78% increase** to live-aboard licence fees per Council policy
- **3.8% increase** to Animal Control By-law fees
- **\$1 increase** to microchipping and adoption fees for some animals

### Cannabis retail licence fees:

- A one-time application fee of **\$2,500** to provide recommendation on a LCRB licence application
- **Phased reduction** to the annual licence fee, starting at a fee of **\$13,500 in 2022**
- For Council to direct staff to **bring recommendations for further reduced annual licence fee for 2023**, including considerations of a fee of \$5,000.

# THANK YOU

Questions and answers

