

Local Benefits of Cannabis Retailers & Consumption Lounges in New York



Respect the interests of New Yorkers: 67% support legalization¹



Generate annual state tax revenue²



Help transition the unregulated market



Create thousands of new jobs by 2027³



Reduce youth access and consumption



Establish safe, regulated spaces to consume cannabis



Fill vacant commercial properties



Benefit from first mover advantage



Create business ownership opportunities for social and economic equity applicants



Increase residential property values

Overview

On March 31, 2021, New York became the 16th state to legalize adult-use cannabis with the passage of the Marijuana Regulation and Taxation Act (MRTA). Legal possession went into effect immediately, and cannabis sales will begin after the establishment of the Cannabis Control Board and subsequent promulgation of rules and regulations. The New York cannabis industry is expected to generate up to \$245 million in tax revenue by fiscal year 2024-25² and could create an estimated 50,000 new jobs.³

Towns, cities, and villages in New York have until December 31, 2021 to prohibit cannabis retail dispensaries and on-site consumption lounges from operating in their jurisdiction. Once the December deadline passes, local governments may no longer prohibit these license categories. A local ban on retail dispensaries and consumption lounges may be overturned at any point by ordinance or citizen-led initiative. Localities may also regulate the time, place, and manner of operation of licensed cannabis businesses, but they cannot ban the operation of any cannabis license type or cannabis consumption, except for any ban on retail dispensaries and on-site consumption lounges enacted before December 31, 2021.

Local governments that allow cannabis retail dispensaries and on-site consumption lounges in their jurisdiction stand to benefit immensely from this emerging industry, from a new source of significant tax revenue to increased employment opportunities. This fact sheet provides an overview of the benefits that the cannabis industry can bring to local governments and communities in New York.

Tax revenue

New York is anticipated to bring in \$245 million in tax revenue from the newly established cannabis industry.⁴ Cannabis sales are subject to a 9% state tax and a 4% local tax. Local governments that prohibit cannabis retail dispensaries from operating in their jurisdiction do not receive any tax revenue from cannabis sales. Depending on

¹Data For Progress, New York Voters Support State Budget Measures to Raise Taxes on the Wealthy and Invest in Public Goods <https://www.filesforprogress.org/memos/new-york-budget.pdf>

²Thomas P. DiNapoli, New York State Comptroller, *Review of the Enacted Budget- State Fiscal Year 2021-22*, Apr. 2021. <https://www.osc.state.ny.us/reports/budget/review-enacted-budget-state-fiscal-year-2021-22>

³Parrott, James A, and Michele Mattingly. 2021, *Economic and Revenue Impact of Marijuana Legalization in NYS-- A Fresh Look*, https://static1.squarespace.com/static/5953059b1b10e384f55aad08/t/60234e4bcbfbfb557933238c/1612926549754/Parrott+Mattingly+NYS+Marijuana+Economic_and_Revenue_Impact_Report+Feb+2021final.pdf

⁴ Thomas P. DiNapoli, New York State Comptroller, *Review of the Enacted Budget- State Fiscal Year 2021-22*, Apr. 2021. <https://www.osc.state.ny.us/reports/budget/review-enacted-budget-state-fiscal-year-2021-22>

the size of the locality and the number of retailers licensed in their jurisdiction, municipalities can expect to generate significant revenue every year when the market reaches its full potential.

Displacing the unregulated market

A key way to successfully eliminate the unregulated cannabis market is by ensuring that there are enough legal access points for consumers. With the third-highest number of cannabis consumers in the country, there is significant demand for cannabis in New York.⁵ However, without a convenient option to obtain legal cannabis, consumers will turn to their familiar unregulated sources. Convenience is one of the most important factors in determining where consumers will purchase their cannabis, therefore a combination of retail storefronts, consumption lounges, and delivery services is critical in shifting consumption to the legal market.

Curbing youth access

When cannabis becomes legal in a state, many have understandable concerns about the potential risk of increased youth access to cannabis. However, a recent 2020 study found that adult-use cannabis legalization is not associated with a significant shift in adolescent cannabis use and may even lead to a decline in youth usage rates.⁶ As cannabis consumption shifts away from the unregulated market to the legal, regulated industry, cannabis becomes harder for youth to obtain due to strict ID laws and security requirements.

Job creation

A new industry means new jobs. The cannabis industry in New York is projected to create over 11,000 new jobs by 2024 and over 50,000 new jobs by 2027.⁷ The creation of thousands of new employment opportunities coupled with a new source of tax revenue will greatly contribute to the economic recovery of many local governments following the COVID-19 pandemic.

11,026

Projected new jobs by 2024

50,806

Projected new jobs by 2027

On-site consumption lounges provide a safe place to legally consume

The MRTA created an on-site consumption license category that allows licensees to legally acquire, possess, and sell cannabis to consumers for the purpose of consumption at a licensed premises. On-site consumption lounges contribute to a safe and prosperous cannabis market by providing the legal industry with a competitive advantage over the unregulated market, allowing novice consumers to try new products with the supervision of trained staff and facilitating legal consumption for certain adult-use and medical consumers.

On-site consumption lounges are imperative for those unable to safely or legally consume cannabis in their residences, particularly renters whose landlords prohibit smoking and those living in federally subsidized housing. Regulated consumption spaces also provide tourists with a place to legally consume cannabis, thus mitigating potential public nuisance concerns.

First-mover advantage

Local governments that allow retail dispensaries and consumption lounges from the outset of commercial legalization will have the first-mover advantage. These jurisdictions will be the first to enjoy the many benefits of the cannabis industry and will solidify a competitive advantage for cannabis businesses in their community. The first licensed businesses will attract many consumers seeking legal cannabis for the first time, which is crucial in building brand

⁵ New Frontier Data, *Cannabis In America For 2021 & Beyond: A New Normal in Consumption & Demand*. 2021.

https://f.hubspotusercontent10.net/hubfs/3324860/Reports/NFD-CannabisInAmericaFor2021%26Beyond.pdf?utm_campaign=Cannabis%20In%20America%20For%202021and%20Beyond%20-full%20report&utm_medium=email&_hsmi=103309208&_hsenc=p2ANqtz-AXwhXplkwI2eT4mXrTyYubNvuDTVc4a7JflUwCVGElqSfDh8HMVB9e7m0pNN1hOov11ANMga8YHI7lrkyOKryZAOHjxYL2SRcAO3gMBwm5ALemCA&utm_content=103309208&utm_source=hs_automation

⁶ Coley, Rebekah Levine, et al. *Recreational Marijuana Legalization and Adolescent Use of Marijuana, Tobacco, and Alcohol*. *Journal of Adolescent Health*, 2020, doi:10.1016/j.jadohealth.2020.10.019. <https://pubmed.ncbi.nlm.nih.gov/33243722/>

⁷ Parrott, James A, and Michele Mattingly. 2021, *Economic and Revenue Impact of Marijuana Legalization in NYS-- A Fresh Look*, https://static1.squarespace.com/static/5953059b1b10e384f55aad08/t/60234e4cbcbfb557933238c/1612926549754/Parrott+Mattingly+NYS+Marijuana+Economic_and_Revenue_Impact_Report+Feb+2021final.pdf

awareness and fostering customer loyalty. Local governments with licensed retailers and consumption lounges will also capture the revenue from those consumers living in communities without any retail access. Localities considering a “wait-and-see approach” – banning retailers and consumption lounges now and reevaluating once the cannabis market rolls out in surrounding jurisdictions – will lose out on key revenue and job creation opportunities.

Filling vacant commercial properties

For local communities, cannabis businesses can play a major role in driving economic growth and revitalization by occupying vacant or underutilized properties. In states with legal medical and adult-use cannabis, realtors have reported a notable increase in demand for warehouses, land, and storefronts for commercial cannabis use.⁸ Across the country, empty warehouses, abandoned manufacturing facilities, and chronically empty storefronts have been brought back to life thanks to the cannabis industry.

Local governments in New York have the discretion to further regulate the cannabis industry through zoning and land-use restrictions. Land-use ordinances should take into consideration the unique needs of the local community while ensuring licensed cannabis businesses can reasonably operate. Buffer zones should not be so restrictive as to create de facto bans on cannabis retailers, and cannabis businesses should not be limited to peripheral areas of a local jurisdiction.

Erasing stigmas and bringing opportunities to those impacted by cannabis criminalization

Acknowledging the devastating and racially disparate impact of cannabis criminalization in New York, lawmakers included a number of progressive, social equity-focused reforms in the MRTA. These initiatives include a 40% allocation of all tax revenue to community reinvestment, automatic expungement of cannabis-related crimes, and a goal of issuing 50% of all licenses to social and economic equity applicants. By allowing retail dispensaries and consumption lounges to operate in their jurisdiction, local governments will help break down the stigma surrounding cannabis and cannabis consumers, and create entrepreneurial opportunities for individuals disproportionately impacted by cannabis-related enforcement, minority- and women-owned businesses, distressed farmers, and service-disabled veterans.

Additional local benefits

- **Residential property values increase.** A 2021 report from Clever, a real estate marketing firm, found an average increase in value of \$22,090 for homes located in cities that allow dispensaries, compared to cities where cannabis is legal but dispensaries are prohibited.⁹
- **Crime rates decrease.** A 2019 study found that an additional dispensary in a neighborhood led to a decrease in crime of approximately 19% relative to the average crime rate in that neighborhood over the sample period.¹⁰

Conclusion

Local governments that prohibit retail dispensaries and consumption lounges in their jurisdiction will miss out on the numerous benefits the regulated cannabis industry has to offer. Demand for cannabis is not contingent upon the availability of licensed dispensaries, therefore banning retail access points will only push consumers (and tax revenue) to surrounding communities with legal retail license points or unregulated sources. Retail dispensaries and consumption lounges play an integral role in minimizing the unlicensed market and ensuring access to safe, legal cannabis for patients and adult-use consumers. The cities, towns, and villages that welcome these new businesses in their community can expect significant annual tax revenue, thousands of new jobs, decreased youth consumption rates, increased property values, and the revival of underutilized or abandoned buildings.

⁸ National Association of Realtors, *Marijuana & Real Estate: A Budding Issue*. Apr. 2021.

<https://cdn.nar.realtor/sites/default/files/documents/2021-marijuana-and-real-estate-a-budding-issue-report-04-16-2021.pdf>

⁹ Clever Real Estate 2021 Study: *How Legalizing Recreational Marijuana Impacts Home Values*. July 12, 2021. <https://www.realestatewitch.com/marijuana-study-2021/>

¹⁰ Jeffrey Brinkman & David Mok-Lamme, *Not in my backyard? Not so fast. The effect of marijuana legalization on neighborhood crime*. September 2019.

<https://www.sciencedirect.com/science/article/abs/pii/S016604621830293X?via%3Dihub>