

Discussion with Tobacco Retailers – August 5 and 9, 2021

Prompts were presented and clarification was provided that this was a “both/and” discussion. License holders don’t have to turn in their license early if they don’t want to. Staff are looking for ways to help through this transition.

Staff provided clarification when necessary that some requests were outside city control, such as gambling license or full strength liquor license. It was important to set expectations and think creatively; how could staff minimize the impact.

General statements:

- Some expressed that this conversation felt too little too late, felt unheard during process and concerned about lack of due process
- It is hard to put a number on the economic loss
- The tobacco license fee is a drop in the bucket
- Some are projecting 50% loss of property value and will have a hard time selling their property
- Felt the real problem isn’t in the sale of tobacco (strong compliance rates), but in education. Using license fees to fund prevention would help.
- Retailers who lease a space might not be able to do new construction, if they wanted to put in a beer cave, for example
- Example of projected loss: \$3,000/day in tobacco revenue x 365 days = \$1.1M/year revenue with a 20% profit (\$200,000)
- **Each retailer is unique, and has a different circumstance, such as own vs lease – ensure a process to look at individual situation**
- Losing money on more than just tobacco – the tobacco customer purchases gas, car wash, soda, candy, etc. – losing the whole package
- Are there any other ordinances or precedents that could guide this process?
- Legalize marijuana (state mandated)

Future Ideas:

- Work with businesses early in the process to understand economic impacts
- If business is coming to the City, i.e. planning, licensing to open this kind of business and City is discussing changes in ordinance, inform the owner this process may affect their business model

Ideas generated by the group:

- \$200,000/year for the next 7 years for \$7.4M/retailer in the form of property tax rebate – all the way up to 12 years
 - Financial impact will be more than the cost of property tax
 - Evaluate the tax assessment of the business itself with the loss of flavored tobacco sales and how this impacts the value of the business
 - It is important that this rebate goes to business owner, and not the landlord, if applicable
- Allow food trucks outside store
- Electric vehicle charging stations (\$100,000 to install)

- If/when there is opportunity for full strength alcohol sales, give first priority to tobacco retailers
- Allow for a one-time transfer of license. This would allow the option to sell a business to a buyer with 'eyes wide open'.
- One retailer mentioned they are in a residential zone and have been grandfathered in. Would need creative rezoning to allow for change in business operations.
- Ask City to push for bans and license sunsets in surrounding municipalities to level the playing field
- City to lobby if retailers feel strongly for sports gambling, liquor, etc. (state mandated)
- Amend/repeal ordinance and charge more for the tobacco license, for example \$1,500 and put this money towards a program aimed to prevent youth use of tobacco, and wait until the FDA regulates
- Provide assistance for the tobacco shops to get out of their leases
- Exception on ordinance for tobacco shops – allow for the 6 existing to be able to continue flavored tobacco sales until sale of business (Mpls/St. Paul examples)
- Assist in relocation of tobacco shops to another city
- Assist businesses to shift to a new business model, City partner with codes, zoning, etc.