

**CITY OF WATSON  
CHIPPEWA COUNTY, MINNESOTA**

**ORDINANCE NO. 2023-2**

**AN ORDINANCE AMENDING THE CITY CODE TO  
REQUIRE A LICENSE TO SELL THC PRODUCTS**

The City Council of the City of Watson ordains:

**Section 1. Legislative Findings.** The City Council of the City of Watson hereby finds as follows:

- (a) The Minnesota Legislature’s decision to amend Minnesota Statutes, section 151.72 to expressly allow the sale of edible products that contain tetrahydrocannabinol (“THC”) created a regulatory gap regarding the licensing and sale of THC products allowed to be sold for human consumption under the statute (“THC products”).
- (b) The City recognizes that, based on the most reliable and up-to-date scientific evidence, the introduction of largely unregulated THC products presents a potential threat to the public health, safety, and welfare of the residents of Watson.
- (c) The City has the opportunity to be proactive and make decisions that will mitigate this threat, reduce exposure of young people to THC products, curtail the marketing of THC products to young people, and improve retailer compliance with existing laws related to THC products.
- (d) A local regulatory system for retail establishments selling THC products is appropriate to ensure that such retailers comply with laws and business standards of the City of Watson to protect the health, safety, and welfare of our youth and other vulnerable residents.
- (e) Minnesota Statutes, section 151.72 requires THC product retailers to check the identification of purchasers to verify that they are at least 21 years of age, comply with certain packaging and labeling requirements to protect children and youth, and meet certain potency and serving size limitations.
- (f) State law further authorizes the Minnesota Board of Pharmacy to adopt product and testing standards in part to curb the illegal sale and distribution of THC products and to ensure the safety and compliance of commercially available THC products in the State of Minnesota.
- (g) State law does not preempt municipalities from adopting and enforcing local ordinances to regulate retailers of THC products including, but not limited to, establishing business licensing requirements. The Legislature is likely to adopt additional regulations regarding THC products, but the timing and details of those regulations are uncertain. Therefore, the City Council determines it is appropriate to adopt the regulations in this ordinance without waiting for the Legislature to act.

- (h) A licensing requirement for retail establishments that desire to sell THC products will not unduly burden legitimate business activities of such retailers who sell or distribute THC products to adults, but will allow the City to effectively regulate the operation of lawful businesses, limit access to persons under the age of 21 years, and discourage violations of THC product-related laws.
- (i) In making these findings and enacting this ordinance, it is the intent of the City to facilitate responsible retail activities associated with THC products by allowing legal sale and access without promoting increases in use, and to discourage violations of THC product-related laws, especially those which prohibit or discourage the marketing, sale, or distribution of THC products to persons under the age of 21 years.

**Section 2. THC Products Licensing Requirements.** Title XI of the City Code of the City of Watson addressing Business Regulations is hereby amended by adding a new Chapter 114 as follows:

## **CHAPTER 114: THC PRODUCTS**

### Section

- 114.01 Definitions and Interpretations
- 114.02 License Required
- 114.03 Application and Issuance
- 114.04 Basis for Denial of a License
- 114.05 License Fee
- 114.06 Term
- 114.07 Applications for Renewal
- 114.08 License Displayed
- 114.09 Location
- 114.10 Prohibited Acts
- 114.11 Other Illegal Acts
- 114.12 Storage
- 114.13 Responsibility
- 114.14 Compliance Inspections
- 114.15 Violations and Penalty

### **114.01. DEFINITIONS AND INTERPRETATIONS.**

For the purposes of this chapter, the following words, terms and phrases shall have the meanings given them in this section, except where the context clearly indicates a different meaning:

***EXCLUSIVE LIQUOR STORE.*** An establishment that meets the definition of exclusive liquor store in Minnesota Statutes, section 340A.101, subdivision 10.

***MOVEABLE PLACE OF BUSINESS.*** Any form of business operated out of a truck, van, automobile, or other type of vehicle or transportable shelter and not a fixed address store front or other permanent type of structure authorized for sales transactions as a retail establishment.

***RETAIL ESTABLISHMENT.*** Any place of business where THC products are available for sale to the general public. Retail establishments shall include, but are not limited to, grocery stores, convenience stores, tobacco stores, hemp stores, CBD stores, restaurants, and any other business offering THC products for sale at retail. Retail establishments shall not include home occupations. Only businesses that are in compliance with all applicable federal, state, and local laws, rules, regulations, and ordinances, including zoning regulations, may be considered a retail establishment.

***SALE.*** Any transfer of goods for money, trade, barter, or other consideration.

***SELF-SERVICE MERCHANDISING.*** Open displays of THC products in any manner where any person has access to the THC products without the assistance or intervention of the retail establishment's employee. The assistance or intervention by an employee shall entail the actual physical exchange of the THC product between the customer and the employee.

***THC.*** Tetrahydrocannabinol.

***THC PRODUCTS.*** Any product that contains more than trace amounts of THC and that meets the requirements to be sold for human or animal consumption under Minnesota Statutes, section 151.72.

***THC PRODUCTS LICENSE or LICENSE.*** The license issued by the City that allows a retail establishment to sell THC products.

***VENDING MACHINE.*** Any mechanical, electric, electronic, or other type of device that dispenses THC products upon the insertion of money, tokens, or other forms of payment directly into the machine by the person seeking to purchase the THC products.

#### **114.02 LICENSE REQUIRED.**

No person shall directly or indirectly, or by means of a vending machine or similar device, keep for sale, offer to sell, or sell THC products at retail at any place in the City of Watson without first having obtained a THC products license from the City. The City will only issue a THC products license to a retail establishment located within the City. A THC products license issued pursuant to this chapter is subject to requirements of City Code, chapter 110 and may be revoked or suspended as provided in this chapter or City Code, section 110.07.

#### **114.03 APPLICATION AND ISSUANCE.**

An application for a THC products license shall be made on the City's license application and submitted to the City Clerk with all applicable fees. The application shall comply with the requirements of City Code, section 110.02. If the City Clerk determines an application is

incomplete, the City Clerk shall provide the applicant notice of the information necessary to make the application complete. The City shall not process an application until it is made complete. The City Clerk shall forward a complete application to the City Council for its consideration and action. If the City Council approves the application, the City Clerk shall issue the requested THC products license.

#### **114.04 BASIS FOR DENIAL OF A LICENSE.**

(A) Grounds for denying the issuance or renewal of a THC products license include, but are not limited to, the following:

- (1) The applicant is under 21 years of age;
- (2) The applicant has been convicted within the past five years of any violation of a federal, state, or local law, ordinance provision, or other regulation relating to THC products, tobacco products, or liquor;
- (3) The applicant has had a license to sell THC products suspended or revoked within the preceding 12 months of the date of application;
- (4) The applicant fails to provide any information required on the application, provides false or misleading information, or fails to pay the required fees;
- (5) The applicant is prohibited by federal, state, or other local law, ordinance, or other regulation from holding a license;
- (6) Applicant is acting as an agent or pass through for another person or entity whose prior acts would make them ineligible for a license under this section or who is otherwise prohibited from holding a license under any applicable rule or law;
- (7) The applicant is an exclusive liquor store;
- (8) The applicant does not meet all applicable zoning requirements; or
- (9) The applicant is not a retail establishment or proposes to sell THC products in a manner that does not comply with this chapter.

(B) If the City Council denies an application, it shall provide the applicant written notice of the reason for the denial. The applicant is then prohibited from reapplying for a THC products license for 6 months from the date of denial or nonrenewal.

(C) The City Council may revoke a license if it discovers after issuance the applicant was not eligible to receive a license under this chapter or if the applicant is convicted of violating any federal, state, or local law, rule, regulation, or ordinance related to THC products. The City shall provide written notice to the applicant of a hearing on the proposed revocation and provide the applicant an opportunity to be heard before acting on a proposed revocation of the license.

#### **114.05 LICENSE FEE.**

The City Council shall establish the fees for a THC products license as part of the City's fee schedule.

#### **114.06 TERM.**

The issuance of a THC products license is a privilege and does not entitle the holder to an automatic renewal of the license. Licenses expire annually on December 31. Licenses are not transferable. License renewal is subject to the license provisions described in City Code, section 1005 Licensing Procedures.

#### **114.07 APPLICATIONS FOR RENEWAL.**

At least 90 days before a license issued under this chapter is to be renewed, an application for renewal shall be filed with the City. The decision whether to renew a license rests within the sound discretion of the City Council. No licensee has a right to have the license renewed.

#### **114.08 LICENSE DISPLAYED.**

The license must be kept conspicuously posted on the premises for which the license is issued and must be exhibited to any person upon request.

#### **114.09 LOCATION.**

A license will not be issued to a movable place of business. Only fixed-location businesses are eligible to be licensed and separate licenses are required for each location.

#### **114.10 PROHIBITED ACTS.**

(A) *In general.*

(1) No person shall sell or offer to sell any THC products:

(i) By means of any type of vending machine.

(ii) By means of self-service merchandising.

(iii) By any other means, to any other person, on in any other manner or form prohibited by state or other local law, ordinance provision, or other regulation.

(2) No person shall sell or offer for sale a product containing THC that does not meet all the requirements of Minnesota Statutes, section 151.72.

(B) *Legal Age.* No person shall sell any THC products to any person under the age of 21.

(1) *Age verification.* Licensees shall verify by means of government issued photographic identification that the purchaser is at least 21 years of age. Verification is not required for a person over the age of 30. That the person appeared to be 30 years of age or older does not constitute a defense to a violation of this subsection.

(2) *Signage.* Notice of the legal sales age and age verification requirement must be posted prominently and in plain view at all times at each location where THC products are offered for sale. The required signage must be posted in a manner that is clearly visible to anyone who is or is considering making a purchase.

(C) *Samples Prohibited.* No person shall distribute samples of any THC product free of charge or at a nominal cost as part of a retail establishment.

#### **114.11 OTHER ILLEGAL ACTS.**

(A) *Illegal Procurement.* It shall be a violation of this chapter for any person 21 years of age or older to purchase or otherwise obtain THC products on behalf of a person under the age of 21.

(B) *Use of False Identification.* It shall be a violation of this chapter for any person to attempt to disguise their true age by the use of a false form of identification, whether the identification is that of another person or one on which the age of the person has been modified or tampered with to represent an age older than the actual age of the person. It shall be an affirmative defense to the violation of this chapter for an employee of a retail establishment to have reasonably relied upon proof of age presented by a customer.

#### **114.12 STORAGE.**

All THC products shall either be stored behind a counter or other area not freely accessible to customers. THC products shall only be accessible through interaction with an employee of a licensee. Sales through self-service merchandising is prohibited.

#### **114.13 RESPONSIBILITY.**

All licensees are responsible for the actions of their employees in regard to the sale, offer to sell, and furnishing of THC products on the licensed premises. The sale, offer to sell, or furnishing of any THC products by an employee shall be considered an act of the licensee. Nothing in this section shall be construed as prohibiting the City from also subjecting the employee to any enforcement action under this chapter, state or federal law, or other applicable law or regulation.

#### **114.14 COMPLIANCE INSPECTIONS.**

All business establishments issued a THC products license shall be subject to inspection by the City during regular business hours for the purposes of determining compliance with this chapter. The City may utilize law enforcement to conduct compliance checks to confirm sales by a licensee comply with this chapter and other applicable laws. Persons under the age of 21 years used by law

enforcement for compliance checks shall not be considered to have violated this chapter when attempting to purchase THC products as part of a compliance check.

#### **114.15 VIOLATIONS AND PENALTY**

(A) Any person violating the provisions of this chapter is guilty of a misdemeanor and upon conviction shall be punished as provided by law.

(B) A violation by a licensee or a licensee's employee may result in the revocation of the THC products license.

**Section 3. Severability.** If any section or provision of this ordinance is held invalid, such invalidity will not affect other sections or provisions that can be given force and effect without the invalidated section or provision.

**Section 4. Incorporation.** The City Clerk is authorized to work with the City Attorney to incorporate the provisions of this ordinance into the City Code.

Adopted this 10<sup>th</sup> day of January 2023.

**BY THE CITY COUNCIL**

\_\_\_\_\_  
Todd Tongen, Mayor

Attest: \_\_\_\_\_  
Alan Marohl, City Clerk/Treasurer