

CITY OF MINNEAPOLIS

Tobacco Study Update

Tobacco Shop Moratorium

- Menthol tobacco sales restriction took effect in August of 2018
- Many convenience stores subdivided their store to create a new tobacco products shop
- In August 2018, Council Member Cano introduced a moratorium on the creation of new tobacco products shops
- CPED staff were authorized to conduct a study to address the issues that led to the adoption of the moratorium

Increase in Tobacco Shops

- There has been a substantial increase in the number of tobacco shops citywide since the menthol ordinance was adopted
- In 2017, there were 25 tobacco products shops
- Today, there are 52 tobacco products shops



Menthol Tobacco Availability

- In 2016, menthol tobacco was sold in 354 retail locations which included convenience stores, tobacco shops, and liquor stores
- Today, menthol tobacco is available in 82 tobacco shops and liquor stores



Land Use Applications

- Tobacco products shops are principal uses that are allowed in downtown districts and commercial districts higher than C1
- Many convenience stores are located in neighborhood commercial nodes that have C1 zoning
- Stores are required to apply for a conditional use permit to allow a shopping center when the building features parking between the building and the street
- 12 convenience stores applied for rezoning and/or CUPs to establish a tobacco shop

Land Use Applications

- The establishment of new tobacco products shops is determined by zoning district
- With Minneapolis 2040, land use and zoning may change which may affect where tobacco shops can establish
- Some of the following policy options will allow for more intentional decisions regarding the establishment of new tobacco products shops and determine how and where they should be established in the city



Small Business Impacts

- Several themes emerged from the in-person visits with stores:
 - Financial loss and decreased revenue
 - Loss of customers and employees
 - Interest in splitting their store to create a new tobacco shop
 - Unfairness
 - Attempts to diversify offerings

Advertising Case Studies

- Blue Cross and Blue Shield of MN and Clearway Minnesota conducted advertising assessments of random samples of convenience stores
- Some of these stores then split to create a new retail store as a result of the menthol ban
- Assessments were conducted for two stores two months pre and two months post the menthol tobacco sales restriction
- In most cases, there was more menthol advertising and more advertising overall after the menthol sales restriction took effect in both stores

Study

- Staff has been evaluating potential policy options that would help uphold the original intent of the menthol ordinance
- Staff is looking for feedback and direction from the council regarding the following slate of policy options that could help the city address the proliferation of new tobacco products shops
- There may be potential legal considerations for some of these options that would need to be explored

Policy Option: Extend menthol sales restriction to include liquor stores

- Extend current menthol sales restrictions to include liquor stores
 - Would impact all liquor stores that currently have tobacco licenses
 - Would further restrict access to menthol tobacco in areas of Minneapolis where there are no or few tobacco product shops
 - Would potentially quell concerns from convenience store owners about fairness since some are angry that liquor stores can sell menthol products when they cannot
 - Liquor stores already prohibit youth so prohibiting menthol sales in liquor stores would not address the primary goal of the menthol ordinance which was to reduce youth access
 - Would specifically reduce menthol access in North Minneapolis

Policy Option: Ban all sales of flavored and menthol tobacco products citywide

- Ban all sales of flavored and menthol tobacco products citywide-
- no exceptions
 - This policy would eliminate sales of all flavored and menthol tobacco products in Minneapolis.
 - The FDA has considered a total ban on all menthol tobacco and making this change at the city level would be on par with this, although the rulemaking process has not yet started and will be lengthy
 - This policy would reduce overall tobacco use and youth initiation since location, density and tobacco marketing are associated with higher rates of tobacco use and youth initiation
 - The number of tobacco product shops and vape stores would likely decrease dramatically since they would have no sales-advantage over any other tobacco license holder (convenience stores, etc.)
 - A total ban would exacerbate impact on small businesses, especially upon those who have just invested in splitting their store to allow menthol sales
 - Liquor stores would no longer be able to sell menthol products

Policy Option: Encourage similar bans

- Encourage nearby municipalities, and the state, to adopt flavored and menthol tobacco bans
- While this option is outside of the control of the City of Minneapolis, encouraging consistent policy across nearby municipalities would reduce access to flavored and menthol tobacco products
- This strategy could also reduce negative impacts on convenience stores near the border of Minneapolis

Policy Option: Capping

- Capping of tobacco retailer licenses and/or tobacco product shops licenses
 - This policy would set a cap on tobacco licenses, either all licenses or just exclusive tobacco shops
 - Caps could be set citywide or determined by ward or geographic area
 - The number could be more or less than the number of licenses currently exist and staff would be looking for guidance around this question
 - The policy results in fewer tobacco license holders over time through attrition (i.e., limits the conditions in which new licenses are granted)
 - It does not revoke existing licenses unless license holders violate the conditions of their license

Policy Option: Capping

- Benefits
 - Would prevent further proliferation of tobacco products shops
 - Would prevent an overall net increase of tobacco retailers or could decrease the number of tobacco retailers (over time) if the cap is set lower than current number of licenses
 - Would reduce tobacco use over time since location and density of tobacco use influence tobacco use, initiation by youth and cessation
- Challenges
 - Would require additional staff analysis for each new tobacco shop
 - Would create winners and losers based on where tobacco shops currently exist, is not necessarily fair
 - Creates another level of complexity for small business owners
 - A cap alone could still result in the concentration of tobacco products shops in vulnerable areas if cap was structured as “per community” vs. per jurisdiction
 - If the cap is citywide, tobacco outlets could theoretically become concentrated in low income areas
 - Some Minneapolis wards have a lot of commercial zoning and some do not which could impact how the cap is set and implemented

Policy Option: Spacing

- A tobacco shop spacing ordinance would require that new tobacco products shops be located a minimum distance from other existing tobacco products shops
- Similar to capping, this policy would achieve its intent via denying new license applications within the distance radius and via attrition of existing licenses
- Studies have shown spacing can greatly reduce tobacco retailer density, especially when paired with spacing around schools

Policy Option: Spacing

- Benefits
 - Would prevent further proliferation of tobacco products shops
 - Would prevent the further concentration of tobacco products shops in any area of the city
 - Some evidence that spacing can reduce retailer density in the lowest income neighborhoods
 - Could reduce tobacco use over time since location and density of tobacco use influence tobacco use, initiation by youth and cessation
- Challenges
 - Would require additional staff analysis for each new tobacco shop
 - Would create winners and losers based on where tobacco shops currently exist, is not necessarily fair
 - Creates de facto monopolies for the owners of existing or allowed new tobacco shops by eliminating nearby competition
 - Creates another level of complexity for small business owners

Summary

- Policy options include
 - Extend menthol sales restriction to include liquor stores
 - Ban all sales of flavored and menthol tobacco products citywide
 - Encourage similar bans in nearby cities and the state
 - Cap the number of tobacco products shops
 - Create a minimum spacing requirement between tobacco products shops



Next Steps

- Moratorium is authorized to continue for one year, or until August 31, 2019
- Staff is looking for direction to complete the study report, specifically related to policy options
- Final report to be presented in June
- Policy options to be decided upon and introduced this summer

