

MEMORANDUM

TO: The Honorable Town Council
FROM: Darla Odom Orr, Deputy Zoning Administrator
COPY: Jeff Gore, Town Attorney; John Anivino, Interim Town Manager
DATE: September 18, 2026
RE: Referral of Cannabis Regulations to the Planning Commission for Consideration and Public Hearing (November 2026)

Purpose

This memorandum requests that Town Council initiate proposed zoning text amendments governing cannabis businesses and refer them to the Planning Commission for consideration and a public hearing at the Commission's November 2026 meeting. The Commission's recommendation would then return to Council for its own public hearing and final action.

Background

On June 29, 2026, the General Assembly enacted the 2026–2028 biennial budget (HB 30), which establishes a complete framework for a regulated adult-use retail cannabis market in Virginia, administered by the Virginia Cannabis Control Authority (CCA). Adult possession has been legal since 2021; the new law adds licensed commercial cultivation, processing, testing, transport, delivery, and retail sales. Key points for the Town:

- **Timeline.** The CCA must adopt regulations by February 1, 2027, and may begin accepting license applications on that date. The CCA released draft regulations on September 9, 2026. No retail sales may occur before July 1, 2027. Up to 350 retail store licenses may be issued statewide before January 1, 2028.
- **No local opt-out.** Unlike earlier proposals, the enacted framework does not allow localities to ban cannabis businesses or put the question to a local referendum.
- **Retained local authority.** Localities keep control over where and how these businesses operate through zoning, business licensing, hours of sale, and ordinances on public consumption. State law sets a 1,000-foot minimum separation between retail stores and schools and certain other sensitive uses.
- **Local review of sites.** A selected applicant must secure a compliant property and satisfy local zoning and land-use rules. The local governing body is notified of the proposed site and has 30 days to object.
- **Local tax.** A local cannabis sales tax of 1% to 3.5% applies in addition to the 6% state tax (rising to 8% on July 1, 2029) and the existing sales tax.
- **Hemp.** Regulation of retail hemp products has moved to the CCA, and the 25:1 CBD-to-THC exemption ended August 15, 2026. Definitions in the Town's ordinance should be coordinated with these changes.

Discussion

Because localities cannot prohibit these uses, the practical question is where and under what standards they may operate. Without defined use categories and standards, staff and applicants would have to force cannabis uses into existing classifications, inviting uncertainty and potential disputes once applicants begin seeking local site approval in early 2027.

To have standards in place before applications open on February 1, 2027, the process would run as follows: a Planning Commission public hearing in November 2026, followed by a Council public hearing and action in December 2026 or January 2027. Staff, working with the Town Attorney, recommend that the Commission consider the following scope:

1. **Definitions and classification** for each state license type (retail store, microbusiness, cultivation, processing, testing, transporter, and delivery operator), and coordination with hemp, tobacco, and alcohol retail definitions.
2. **Districts and approval type:** where each use is permitted by right, permitted by special use permit, or not permitted, consistent with state law barring local prohibition.
3. **Separation standards** consistent with the state 1,000-foot minimum, and any additional local separation the Town may lawfully adopt.
4. **Site and operational standards:** hours of operation, signage and advertising, odor control, security and lighting, parking, and building and floor-area limits (state law caps retail floor space at 2,500 square feet).

Certain related items fall to Council rather than the Commission and would be brought forward separately: whether to adopt the local cannabis sales tax, an ordinance on public consumption in parks and on sidewalks, and any business license provisions.

Fiscal Impact

There is no direct cost beyond staff time and legal advertising for the public hearings. Any future local tax or business license revenue depends on whether a licensed business locates in the Town and cannot be estimated at this time.

Recommendation

Staff recommends that Town Council initiate zoning text amendments regarding cannabis businesses, refer the matter to the Planning Commission for consideration and a public hearing at its November 2026 meeting, and request the Commission's recommendation for Council's review. Staff, with the Town Attorney, will prepare the draft ordinance and public notices.

Draft Motion

DRAFT MOTION

I move that Town Council initiate zoning text amendments to regulate cannabis businesses and refer the matter to the Planning Commission for consideration and a public hearing at its November 2026 meeting, with the Commission's recommendation returned to Town Council.