

August 8, 2022

MEMORANDUM

To: Finance and Housing Committee
From: Jasmine Marwaha, Analyst
Subject: Council Bill 120393, creating transparency and job security protections for cannabis employees

On Thursday, August 11, the Finance and Housing Committee will discuss [Council Bill \(CB\) 120393](#). CB 120393 is intended to create job security and transparency protections for employees of cannabis businesses in Seattle in the event of changes in business ownership. CB 120393 is part of a suite of legislation proposed to advance racial and social equity in cannabis regulations. The bill is intended to provide workforce stability while the City continues to look at policies and investments to improve racial disparities in the cannabis industry and clarify license requirements for cannabis businesses. Please see staff memos for [CB 120391](#) (Cannabis Equity) and [CB 120392](#) (Cannabis Licensing) for additional information on these efforts to address cannabis equity in the City.

This memo provides background on the legislation, a summary of CB 120393, policy issues, and next steps.

Background

The Finance and Housing Committee has heard employees share concerns in previous committee meetings about job insecurity due to the changing nature of cannabis business ownership. For example, in one instance discussed in committee, all employees in a cannabis business were laid off when that business was sold to a new owner. Currently there are no protections in place for cannabis workers to retain their jobs in the event of a change in business ownership.

Job insecurity and transparency are of particular concern for employees in the cannabis industry, in part because of the way that employment is structured in the industry. Cannabis businesses do not have access to federally insured banking, and therefore establish separate business entities, typically Limited Liability Companies (LLCs), to pay their employees. The employees may work for an LLC that might be different than the retail name or the name on the cannabis business license. It is possible for employees in the same store to be working for different LLCs, which can make it difficult to determine true employment relationships between a worker and a cannabis business. The legislation is therefore intended to give workers transparency about entities that are associated with the cannabis business.

Council Bill 120393

This legislation would require cannabis business employers to take certain actions to increase transparency and reduce job insecurity caused by changes in ownership. Covered employers are those who own, operate and/or control a cannabis business licensed under Seattle Municipal Code (SMC) Chapter 6.500. Covered employees include those who work at a covered cannabis business for at least 30 days prior to a change in ownership. Key protections for covered employees would include:

- Outgoing employer obligations
For businesses that undergo a change in ownership, outgoing employers must provide a preferential hiring list to the incoming employer and post a notice of the change in ownership at the jobsite.
- Incoming employer obligations
Incoming employers must hire from the preferential hiring list for 180 days and continue to post notice of the change in ownership. If an employee accepts a job offer, the employer must retain the employee for no less than 90 days and can only discharge the employee for just cause during this time period.
- Notice and Posting
Employers must provide a notice of rights afforded under the ordinance. Employers must also provide a written notice to employees of the names used by any associated integrated enterprises.
- Recordkeeping
Employers must maintain records that document compliance for a period of three years.
- OLS Enforcement and Outreach
The legislation provides authority to the Office of Labor Standards (OLS) to provide rulemaking, outreach and enforcement related to the new labor standard.

Policy Issues

CB 120393 is largely modeled after the [Hotel Employees Job Retention Ordinance](#) (HEJR), passed by Council in 2019, which contains similar job retention provisions for the hotel industry. Having similar provisions that address job insecurity in the event of a change in business ownership helps ensure expediency in implementation for OLS, and consistency across industries.

However, CB 120393 creates an obligation on employers in the cannabis industry that is not present in HEJR. To provide more transparency about the entities associated with a cannabis business, cannabis employers are required to update their Notice of Employment Information (NOEI) – a notice required under the [Wage Theft Ordinance](#) – with the names used by any associated integrated enterprises of the employer. While the bill as drafted recognizes the unique challenges present in the cannabis industry, the Committee may want to more closely

align with legislative precedent from the hotel industry to maintain consistency across industries.

Options:

- A. Strike the additional notice requirement to align with the Hotel Employees Job Retention Ordinance.
- B. Take no action.

Next Steps

CB 120393, as well as CB 120391 and CB 120392, will be discussed during a special meeting of the Finance and Housing Committee on August 11. Councilmembers who would like to prepare amendments should contact Central Staff no later than noon on August 12. The Committee will discuss and potentially vote on amendments and the bills during the regularly scheduled meeting on August 17.

cc: Esther Handy, Director
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