

June 10, 2024

MEMORANDUM

To: Governance, Accountability, and Economic Development Committee
From: Ketil Freeman, Analysts
Subject: Council Bill 120781 – Cannabis Business Definitions: State Law Alignment

On June 13, 2024, the Governance, Accountability, and Economic Development Committee (Committee) will have an initial briefing and may make a recommendation on [Council Bill \(CB\) 120781](#). CB 120781 would amend and eliminate definitions in regulations for cannabis businesses to align those definitions with recent changes to state law.

This memorandum: (1) provides background on the regulation of cannabis businesses and State and City efforts to improve equity in the cannabis industry and (2) describes what CB 120781 would do.

Background

Following voter approval of Initiative 502, in 2012 Washington became the second state to legalize adult recreational cannabis use. Cannabis establishments that do business in the city, which can be retailers or producer / processors, must have a license from the State Liquor and Cannabis Board (LCB) and the City's Department of Finance and Administrative Services (FAS) and they must comply with both state and city regulations.¹

Cannabis Equity

To increase licenses from populations adversely impacted by the War on Drugs, in 2020 the state passed [Engrossed Second Substitute House Bill 2870](#), which established the [Cannabis Social Equity Program](#). To date that program has not resulted in additional City licenses.

In 2022, the City passed three ordinances related to that effort. [Ordinance 126663](#) outlined actions the City intends to take to address racial disparities in the cannabis industry. [Ordinance 126664](#) revised license requirements and established criteria for a new class of licensee, "social equity applicants." And, [Ordinance 126665](#), the "Cannabis Employee Job Retention Ordinance," modified City labor standards to increase job security for cannabis business.

Changes to State Law

In 2023 the state legislature passed [ESSB 5080](#) and [ESSB 5367](#). The former modified the state Cannabis Social Equity Program by amending the definition of a "social equity applicant" and "disproportionately impacted area" (DIA) and increasing the number of additional licenses that can be issued under the program. Residence in a "disproportionately impacted area" between 1980 and 2010 is a criterion for "social equity applicant" status under the Cannabis Social Equity

¹ City regulations are set out in [Seattle Municipal Code \(SMC\) Chapter 6.500 – Cannabis Businesses](#).

Program. [RCW 69.50.335\(6\)\(b\)](#).² The latter (1) modified definitions of cannabis, cannabis products, tetrahydrocannabinol, and other definitions to further refine the distinction between cannabis and hemp products, (2) clarified the regulatory status of cannabis health and beauty products, and (3) clarified labelling and packaging requirements.

The City currently regulates 87 cannabis licensees, some of whom are located outside the city but do business within the city limits. LCB is currently refining criteria for social equity applicants. It is unclear how many additional applicants may apply for City licenses because of passage of ESSB 5080.

What CB 120781 Would Do

CB 120781 would amend Seattle Municipal Code Chapter 6.500 to align definitions with changes in ESSB 5080 and ESSB 5367. This includes modifying the definition of “social equity applicant” to reference the definition in Revised Code of Washington Section 69.50.335, eliminating the definition of DIA because it becomes superfluous with the reference to the state definition, and modifying definitions of “cannabis” and “cannabis product.”

Next Steps

If the Committee does not make a recommendation to the Council on June 13, the bill will be discussed again at the next regularly scheduled Committee meeting on June 27. If the Committee does make a recommendation, the Council will consider the recommendation on June 25.

cc: Ben Noble, Director
Aly Pennucci, Deputy Director

² Draft maps of DIAs are available at [Draft Disproportionately Impacted Area \(DIA\) Maps | Washington State Liquor and Cannabis Board](#).