

Honorable Richard A. Jones

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8 **UNITED STATES DISTRICT COURT**
9 **WESTERN DISTRICT OF WASHINGTON**
10 **AT SEATTLE**

11 INTERNATIONAL FRANCHISE
12 ASSOCIATION, INC., et al.,

13
14 *Plaintiffs,*

15 vs.

16
17 CITY OF SEATTLE, et al.,

18 *Defendants.*
19
20

No. C14-848RAJ

**DECLARATION OF DAVID J.
GROESBECK**

21
22 I, David J. Groesbeck, declare as follows:

23 1. I am over 18 years of age, am competent to testify about the matters set forth
24 herein, and submit the testimony below based upon personal knowledge and information. I am
25 one of the attorneys for Plaintiffs in the above-referenced case.
26

27 2. Exhibit 1 hereto is a true and correct copy of Seattle City Ordinance No.
28 124490, enacted on June 3, 2014.
29

30
31 GROESBECK DECLARATION
32 (C14-848RAJ) - 1

BANCROFT PLLC
1919 M Street, NW, Suite 470
Washington, DC 20036
(202) 234-0090

1 3. Exhibit 2 hereto is a true and correct copy of an e-mail, sent on May 3, 2014,
2 from Nick Hanauer, a member of the Income Inequality Advisory Committee (“IIAC”), to Tim
3 Burgess, President of the Seattle City Council.
4

5 4. Exhibit 3 hereto is a true and correct copy of an e-mail, sent on May 5, 2014,
6 from Robert Feldstein, a member of Mayor’s staff, to Brian Surratt, another member of the
7 Mayor’s staff.
8

9 5. Exhibit 4 hereto is a true and correct copy of two e-mails, sent on May 5, 2014,
10 from IIAC member David Meinert to Mr. Surratt and Mr. Feldstein.
11

12 6. Exhibit 5 hereto is a true and correct copy of a May 28, 2014 post on David
13 Meinert’s Facebook page, available at [https://www.facebook.com/david.meinert/posts/](https://www.facebook.com/david.meinert/posts/10152163225964639)
14 [10152163225964639](https://www.facebook.com/david.meinert/posts/10152163225964639)
15

16 7. Exhibit 6 hereto is a true and correct copy of a letter, dated May 19, 2014, from
17 the International Franchise Association (“IFA”) to Seattle Mayor Edward Murray and the
18 Seattle City Council.
19

20 8. Exhibit 7 hereto is a true and correct copy of a letter, dated May 27, 2014, from
21 IFA board member Michael Seid to Seattle Mayor Edward Murray and the Seattle City
22 Council.
23

24 9. Exhibit 8 hereto is a true and correct copy of a letter, dated May 31, 2014, from
25 Mr. Seid to Seattle Mayor Edward Murray and the Seattle City Council.
26

27 10. Exhibit 9 hereto is a true and correct copy of an editorial published in *The*
28 *Seattle Times*, dated May 30, 2014.
29

1 11. Exhibit 10 hereto is a true and correct copy of an e-mail, sent on May 31, 2014,
2 from IIAC member Nick Hanauer to all members of the Seattle City Council, IIAC co-chair
3 David Rolf, Mr. Feldstein, and Mr. Surratt.
4

5 12. Exhibit 11 hereto is a partial transcript of the public hearing of the Seattle City
6 Council's Committee on Minimum Wage and Income Inequality, dated May 22, 2014, video
7 available at www.seattlechannel.org/videos/video.asp?ID=2161440.
8

9 13. Exhibit 12 hereto is a true and correct copy of a May 23, 2014 post on the
10 official website of Kshama Sawant, Member of the Seattle City Council, titled *Stand strong*
11 *against corporate loopholes.*, available at [http://sawant.seattle.gov/stand-strong-against-](http://sawant.seattle.gov/stand-strong-against-corporate-loopholes/)
12 *corporate-loopholes/*.
13

14 14. Exhibit 13 hereto is a true and correct copy of the Seattle City Council Minutes
15 for June 2, 2014.
16

17 15. Exhibit 14 hereto is a true and correct copy of the International Franchise
18 Association's June 2, 2014 release *Advisory: Franchise Industry Announces Intention to Sue*
19 *Seattle for Discriminatory Wage Hike*.
20

21 16. Exhibit 15 hereto is a true and correct copy of a tweet, sent on June 3, 2014,
22 from Councilmember Kshama Sawant's official Twitter account, available at
23 <https://twitter.com/cmksama/status/473896322768990211>.
24

25 17. Exhibit 16 hereto is a true and correct copy of *Mayor Murray Statement on*
26 *International Franchise Association Lawsuit*, dated June 11, 2014, available at
27 <http://murray.seattle.gov/mayor-murray-statement-on-international-franchise-association->
28
29

lawsuit/#sthash.ysxs7e8b.dpbs.

18. Exhibit 17 hereto is a partial transcript of Seattle Mayor Edward Murray's interview on The Reid Report, MSNBC, June 16, 2014.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Executed this 5th Day of August, 2014, at Spokane, Washington.



David J. Groesbeck

CERTIFICATE OF SERVICE

I hereby certify that on this 5th day of August, 2014, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF System which will send notification of such filing to the following:

Gregory C. Narver	gregory.narver@seattle.gov
Gary T. Smith	gary.smith@seattle.gov
John B. Schochet	john.schochet@seattle.gov
Parker C. Folse, III	pfolse@susmangodfrey.com
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Paul D. Clement	pclmement@bancroftpllc.com
Viet D. Dinh	vdinh@bancroftpllc.com
David J. Groesbeck	david@groesbecklaw.com

s/ H. Christopher Bartolomucci

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GROESBECK DECLARATION
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Exhibit 1

Ordinance No. 12449D

Council Bill No. 118098

AN ORDINANCE relating to employment in Seattle; adding a new Chapter 14.19 to the Seattle Municipal Code; establishing minimum wage and minimum compensation rates for employees performing work in Seattle; and prescribing remedies and enforcement procedures.

Related Legislation File: _____

Date Introduced and Referred: <u>5/19/14</u>	To: (committee): <u>Select Committee on Minimum Wage/Minimum Inequality</u>
Date Re-referred:	To: (committee):
Date Re-referred:	To: (committee):
Date of Final Action: <u>June 2, 2014</u>	Date Presented to Mayor: <u>June 3, 2014</u>
Date Signed by Mayor: <u>June 3, 2014</u>	Date Returned to City Clerk: <u>June 3, 2014</u>
Published by Title Only <u>X</u>	Date Vetoes by Mayor:
Published in Full Text _____	Date Passed Over Veto:
Date Veto Published:	Date Returned Without Signature:
Date Veto Sustained:	

The City of Seattle – Legislative Department

Council Bill/Ordinance sponsored by: Samuel R. Redmond

Committee Action: Pass D. Howard

Date _____ Recommendation _____ Vote _____

Sy Bragdon Samuel R. Redmond Nick Kozlowski

S-29-14 PASS AS amended SB, TB, SS, ST, BH, MOB, KS
7-0

This file is complete and ready for presentation to Full Council: _____

Full Council Action:

Date June 2, 2014 Decision Passed Vote 9-0

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CITY OF SEATTLE

ORDINANCE 124490

COUNCIL BILL 118098

AN ORDINANCE relating to employment in Seattle; adding a new Chapter 14.19 to the Seattle Municipal Code; establishing minimum wage and minimum compensation rates for employees performing work in Seattle; and prescribing remedies and enforcement procedures.

WHEREAS, United States President Barack Obama has called addressing income inequality the "the defining issue of our time;"

WHEREAS, the noted economist Thomas Piketty wrote in his landmark book *Capital in the 21st Century*, the need to act on income inequality is profound as "[r]eal wages for most US workers have increased little if at all since the early 1970s, but wages for the top one percent of earners have risen 165 percent, and wages for the top 0.1 percent have risen 362 percent;"

WHEREAS, the tens of thousands of low wage workers in Seattle who struggle to meet their most basic needs, the increasing unaffordability of this city for so many of our citizens, and the hollowing-out of the middle class strike at the core of who we are as a community dedicated to democratic principles and economic advancement and opportunity;

Whereas, Seattle has one of the worst gender wage gaps in the country, where a majority of low wage workers tend to be women, and a higher minimum wage is a powerful tool to reduce the income disparity between women and men;

WHEREAS, many Seattle workers cannot fully participate in our community's dynamic civic life or pursue the myriad educational, cultural, and recreational opportunities that constitute a flourishing life because many struggle to meet their households' most basic needs;

WHEREAS, Seattle is home to many innovative and progressive employers who contribute significantly to the economic prosperity of the region;

WHEREAS, Seattle has a long and proud tradition of advocating for worker rights and promoting social and economic justice;



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1 WHEREAS, minimum wage laws promote the general welfare, health, and prosperity of Seattle
2 by ensuring that workers can better support and care for their families and fully
participate in Seattle’s civic, cultural, and economic life;

3 WHEREAS, the Mayor signed Executive Order 2014-01 directing all City of Seattle Department
4 Directors to prioritize and work in coordination with the City’s Personnel Department
5 and Budget Office to develop a comprehensive implementation plan that ensures a
6 minimum hourly wage of \$15.00 for employees of the City of Seattle, and directing the
Personnel Department and Budget Office to seek concurrence and coordinate with the
City Council and the Mayor’s Income Inequality Advisory Committee;

7 WHEREAS, the Mayor and City Council has convened a Labor Standards Advisory Committee
8 and the City expects the committee will provide feedback later in 2014 on recommended
9 approaches for enhancing the City’s enforcement of various labor laws including, but not
limited to, minimum wage laws;

10 WHEREAS, the City is committed to evaluating options for securing progressive sources of
11 funding to ensure that non-profit human services providers with City-funded contracts
12 can provide both a living wage to their workforce and continue to provide critical
services for those in the greatest need;

13 WHEREAS, Seattle’s employer and worker advocacy community have come together to respond
14 to the challenge of rising income inequality and ensure broadly shared prosperity in our
community;

15 NOW, THEREFORE,
16

17 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

18 Section 1. The City Council (“Council”) makes the following findings of fact and
19 declarations:

20 1. Over 100,000 Seattle workers earn wages insufficient to support themselves and their
21 families;

22 2. In Seattle, the weight of income inequality falls disproportionately on people of color
23 and on women. More than 34 percent of all women and over 40 percent of African Americans
24 and Asian and Pacific Islander Americans rank among low wage workers in Seattle. For
25 Latinos, that number is nearly 50 percent, and it is 70 percent for Native Americans;



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1 3. Over 24 percent of Seattle residents earn hourly wages of \$15.00 per hour or less and
2 approximately 13.6 percent of the Seattle community lives below the poverty level;

3 4. Some employers, in particular small businesses and not-for-profit organizations, may
4 have difficulty in accommodating the increased costs;

5 5. Numerous studies suggest minimum wages benefit employers and the economy as a
6 whole by improving employee performance, reducing employee turnover, lowering absenteeism,
7 and thereby improving productivity and the quality of the services provided by employees;

8 6. The Mayor formed an "Income Inequality Advisory Committee," a group comprised of
9 representatives from Seattle's employer, labor, and non-profit communities to address the
10 pressing issue of income inequality in Seattle;

11 7. The Income Inequality Advisory Committee was charged with delivering
12 recommendations on how best to increase the minimum wage in Seattle in a way that ensures
13 that our economy is vibrant enough and fair enough to embrace all who live and work here;

14 8. The Income Inequality Advisory Committee reviewed the impact of minimum wage
15 increases in other cities, relevant studies and other appropriate data, and hosted numerous public
16 engagement forums, including industry-specific forums and the "Income Inequality Symposium"
17 at Seattle University;

18 9. The Income Inequality Advisory Committee determined the following: Seattle's
19 minimum wage should be raised to \$15.00 per hour; the minimum wage should be phased in
20 over time, the first year of implementation of a phased increase of the minimum wage should
21 begin in 2015; once the minimum wage reaches \$15.00 per hour it should rise in concert with the
22 consumer price index; exemptions from the \$15.00 per hour minimum wage are limited to only
23 those allowed under the Washington State Minimum Wage Act; a benchmark of 500 employees
24 is appropriate as distinguishing between larger and smaller employers in recognition that smaller



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1 businesses and not-for-profits would face particular challenges in implementing a higher
2 minimum wage;

3 10. The Income Inequality Advisory Committee also recognized a set of principles for a
4 strong enforcement and culturally competent worker and business education program that
5 integrates existing annual business license processes; creates significant penalties for intentional
6 and repeat violations; establishes worker and employer outreach and education programs through
7 contracts with 501(c)3 community-based organizations and business associations; develops an
8 incentive structure for businesses with solid labor practices; emphasizes culturally competent
9 communication with employees and employers; connects workers with the appropriate local,
10 state, and federal agencies; and establishes a business, labor, and community oversight
11 committee to monitor implementation of the City of Seattle's new labor standards education and
12 enforcement function. These principles will be forwarded to the City of Seattle's Labor
13 Standards Advisory Committee; and

14 11. The public welfare, health, and prosperity of Seattle require wages and benefits
15 sufficient to ensure a decent and healthy life for all Seattle workers and their families.

16
17 Section 2. A new Section 14.19.010 is added to the Seattle Municipal Code as follows:

18 **14.19.010 Definitions**

19 For the purposes of this Chapter:

20 A. "Actuarial value" means the percentage of total average costs for covered benefits that a
21 health benefits package will cover;

22 B. "Bonuses" means non-discretionary payments in addition to hourly, salary, commission,
23 or piece-rate payments paid under an agreement between the employer and employee;

24 C. "Commissions" means a sum of money paid to an employee upon completion of a task,
25 usually selling a certain amount of goods or services;



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1 D. "Department" means the Department of Finance and Administrative Services;

2 E. "Director" means the Director of the Department of Finance and Administrative Services,
3 or his or her designee;

4 F. "Employ" means to permit to work;

5 G. "Employee" means "employee," as defined under Section 12A.28.200. Employee does
6 not include individuals performing services under a work study agreement;

7 H. "Employer" means any individual, partnership, association, corporation, business trust, or
8 any person or group of persons acting directly or indirectly in the interest of an employer in
9 relation to an employee;

10 I. "Franchise" means a written agreement by which:

11 1. A person is granted the right to engage in the business of offering, selling,
12 or distributing goods or services under a marketing plan prescribed or
13 suggested in substantial part by the grantor or its affiliate;

14 2. The operation of the business is substantially associated with a trademark,
15 service mark, trade name, advertising, or other commercial symbol;
16 designating, owned by, or licensed by the grantor or its affiliate; and

17 3. The person pays, agrees to pay, or is required to pay, directly or indirectly,
18 a franchise fee;

19 J. "Franchisee" means a person to whom a franchise is offered or granted;

20 K. "Franchisor" means a person who grants a franchise to another person;

21 L. "Hearing Examiner" means the official appointed by the Council and designated as the
22 Hearing Examiner, or that person's designee (Deputy Hearing Examiner, Hearing Examiner Pro
23 Tem, etc.);

24 M. "Hourly minimum compensation" means the minimum compensation due to an employee
25 for each hour worked during a pay period;



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1 N. "Hourly minimum wage" means the minimum wage due to an employee for each hour
2 worked during a pay period;

3 O. "Medical benefits plan" means a silver or higher level essential health benefits package,
4 as defined in 42 U.S.C. § 18022, or an equivalent plan that is designed to provide benefits that
5 are actuarially equivalent to 70 percent of the full actuarial value of the benefits provided under
6 the plan, whichever is greater;

7 P. "Minimum compensation" means the minimum wage in addition to tips actually received
8 by the employee and reported to the Internal Revenue Service, and money paid by the employer
9 towards an individual employee's medical benefits plan;

10 Q. "Minimum wage" means all wages, commissions, piece-rate, and bonuses actually
11 received by the employee and reported to the Internal Revenue Service;

12 R. "Piece-rate" means a price paid per unit of work;

13 S. "Rate of inflation" means the Consumer Price Index annual percent change for urban
14 wage earners and clerical workers, termed CPI-W, or a successor index, for the twelve months
15 prior to each September 1st as calculated by the United States Department of Labor;

16 T. "Schedule 1 Employer" means all employers that employ more than 500 employees in
17 the United States, regardless of where those employees are employed in the United States, and
18 all franchisees associated with a franchisor or a network of franchises with franchisees that
19 employ more than 500 employees in aggregate in the United States;

20 U. "Schedule 2 Employer" means all employers that employ 500 or fewer employees
21 regardless of where those employees are employed in the United States. Schedule 2 employers
22 do not include franchisees associated with a franchisor or a network of franchises with
23 franchisees that employ more than 500 employees in aggregate in the United States;

24 V. "Tips" means a verifiable sum to be presented by a customer as a gift or gratuity in
25 recognition of some service performed for the customer by the employee receiving the tip;



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1 W. "Wage" means compensation due to an employee by reason of employment, payable in
2 legal tender of the United States or checks on banks convertible into cash on demand at full face
3 value, subject to such deductions, charges, or allowances as may be permitted by rules of the
4 Director. Commissions, piece-rate, and bonuses are included in wages. Tips and employer
5 payments toward a medical benefits plan do not constitute wages for purposes of this Chapter.

6
7 Section 3. A new Section 14.19.020 is added to the Seattle Municipal Code as follows:

8 **14.19.020 Employment in Seattle and Employer Schedule Determination**

9 A. Employees are covered by this Chapter for each hour worked within the geographic
10 boundaries of Seattle, provided that an employee who performs work in Seattle on an occasional
11 basis is covered by this Chapter in a two-week period only if the employee performs more than
12 two hours of work for an employer within Seattle during that two-week period. Time spent in
13 Seattle solely for the purpose of travelling through Seattle from a point of origin outside Seattle
14 to a destination outside Seattle, with no employment-related or commercial stops in Seattle
15 except for refueling or the employee's personal meals or errands, is not covered by this Chapter.
16 An employee who is not covered by this Chapter is still included in any determination of the size
17 of the employer.

18 B. For the purposes of determining whether a non-franchisee employer is a Schedule 1
19 employer or a Schedule 2 employer, separate entities that form an integrated enterprise shall be
20 considered a single employer under this Chapter. Separate entities will be considered an
21 integrated enterprise and a single employer under this Chapter where a separate entity controls
22 the operation of another entity. The factors to consider in making this assessment include, but
23 are not limited to:

- 24 1. Degree of interrelation between the operations of multiple entities;
25 2. Degree to which the entities share common management;



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- 3. Centralized control of labor relations; and
- 4. Degree of common ownership or financial control over the entities.

There shall be a presumption that separate legal entities, which may share some degree of interrelated operations and common management with one another, shall be considered separate employers for purposes of this section as long as (1) the separate legal entities operate substantially in separate physical locations from one another, and (2) each separate legal entity has partially different ultimate ownership. The determination of employer schedule for the current calendar year will be calculated based upon the average number of employees employed per calendar week during the preceding calendar year for any and all weeks during which at least one employee worked for compensation. For employers that did not have any employees during the previous calendar year, the employer schedule will be calculated based upon the average number of employees employed per calendar week during the first 90 calendar days of the current year in which the employer engaged in business.

C. The Director shall have the authority to issue a special certificate authorizing an employer to pay a wage less than the City of Seattle minimum wage, as defined in this Chapter, but above the Washington State minimum wage, as defined in RCW 49.46.020. Such special certificates shall only be available for the categories of workers defined in RCW 49.46.060 and shall be subject to such limitations as to time, number, proportion, and length of service as the Director shall prescribe. Prior to issuance, an applicant for a special certificate must secure a letter of recommendation from the Washington State Department of Labor and Industries stating that the applicant has a demonstrated necessity pursuant to WAC 296-128.

D. The Director shall by rule establish the minimum wage for employees under the age of eighteen years, provided that any percentage of the hourly rate established by rule shall not be lower than the percentage applicable under state statutes and regulations.



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1 Section 4. A new Section 14.19.030 is added to the Seattle Municipal Code as follows:

2 **14.19.030 Hourly Minimum Wage – Schedule 1 Employers**

3 A. Effective April 1, 2015, Schedule 1 employers shall pay each employee an hourly
4 minimum wage of at least \$11.00. Pursuant to the following schedule, effective January 1 of
5 each year thereafter, Schedule 1 employers shall pay any employee an hourly minimum wage as
6 follows:

<i>Year</i>	<i>Hourly Minimum Wage</i>
2016	\$13.00
2017	\$15.00

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12 Effective January 1, 2018, the hourly minimum wage paid by a Schedule 1 employer to any
13 employee shall be increased annually on a percentage basis to reflect the rate of inflation and
14 calculated to the nearest cent on January 1 of each year thereafter.

15 B. Schedule 1 employers can meet the applicable hourly minimum wage requirement
16 through a payment of the minimum wage, provided that the Schedule 1 employer is in
17 compliance with all applicable law. Where an employee is paid on a commission or piece-rate
18 basis, wholly or partially, the amount earned on such basis in each work-week period may be
19 credited as a part of the total wage for that period, and the total wages paid for such period shall
20 be computed on the hours worked in that period resulting in no less than the applicable minimum
21 wage rate. Where an employee is paid a bonus, the amount of the bonus in each work-week
22 period may be credited as a part of the total wage for that period, and the total wages paid for
23 such period shall be computed on the hours worked in that period resulting in no less than the
24 applicable minimum wage rate. Pursuant to the following schedule, effective January 1, 2016,



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Schedule 1 employers that pay toward an individual employee’s medical benefits plan shall pay the employee an hourly minimum wage as follows:

<i>Year</i>	<i>Hourly Minimum Wage</i>
2016	\$12.50
2017	\$13.50
2018	\$15.00

Effective January 1, 2019, payment by the employer of health benefits for employees shall no longer affect the hourly minimum wage paid by a Schedule 1 employer.

Section 5. A new Section 14.19.040 is added to the Seattle Municipal Code as follows:

14.19.040 Hourly Minimum Wage – Schedule 2 Employers

A. Effective April 1, 2015, Schedule 2 employers shall pay each employee an hourly minimum wage of at least \$10.00. Schedule 2 employers can meet the applicable hourly minimum wage requirement through a payment of the minimum wage, provided that the Schedule 2 employer is in compliance with all applicable law. Effective January 1 of 2016 and each year thereafter, Schedule 2 employers shall pay each employee an hourly minimum wage that is the lower of (a) the applicable hourly minimum wage for Schedule 1 Employers or (b) the hourly minimum wage shown in the following schedule:

<i>Year</i>	<i>Hourly Minimum Wage</i>
2016	\$10.50
2017	\$11.00
2018	\$11.50



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2019	\$12.00
2020	\$13.50
2021	\$15.00
2022	\$15.75
2023	\$16.50
2024	\$17.25

Effective on January 1 of 2025, and January 1 of every year thereafter, the hourly minimum wage paid by a Schedule 2 employer to any employee shall equal the hourly minimum wage applicable to Schedule 1 employers.

B. Schedule 2 employers can meet the applicable hourly minimum wage requirements through a payment of the minimum wage, provided that the Schedule 2 employer is in compliance with all applicable law.

Section 6. A new Section 14.19.050 is added to the Seattle Municipal Code as follows:

14.19.050 Hourly Minimum Compensation – Schedule 2 Employers

A. Effective April 1, 2015, Schedule 2 employers shall pay each employee an hourly minimum compensation of at least \$11.00. Effective January 1 of each year thereafter, Schedule 2 employers shall pay each employee an hourly minimum compensation that is the lower of (a) the applicable hourly minimum wage for Schedule 1 Employers or (b) the hourly minimum compensation shown in the following schedule:



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<i>Year</i>	<i>Hourly Minimum Compensation</i>
2016	\$12.00
2017	\$13.00
2018	\$14.00
2019	\$15.00
2020	\$15.75

Effective January 1, 2021, the hourly minimum compensation paid by a Schedule 2 employer to any employee shall equal the hourly minimum wage applicable to Schedule 1 employers.

B. Schedule 2 employers can meet the applicable hourly minimum compensation requirement through wages (including applicable commissions, piece-rate, and bonuses), tips and money paid by an employer towards an individual employee’s medical benefits plan, provided that the Schedule 2 employer also meets the applicable hourly minimum wage requirements.

C. Effective January 1, 2025, minimum compensation will no longer be applicable as defined in this Chapter.

Section 7. A new Section 14.19.060 is added to the Seattle Municipal Code as follows:

14.19.060 Enforcement

A. Powers and Duties

1. The Department shall investigate alleged violations of this Chapter as defined herein, and shall have such powers and duties in the performance of these functions as are defined in this Chapter and otherwise necessary and proper in the performance of the same and provided for by law.



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2. The Director is authorized and directed to promulgate rules consistent with this Chapter.

B. Exercise of Rights Protected; Retaliation Prohibited

1. It shall be a violation for an employer or any other person to interfere with, restrain, or deny the exercise of, or the attempt to exercise, any right protected under this Chapter.

2. It shall be a violation for an employer to discharge, threaten, harass, demote, penalize, or in any other manner discriminate or retaliate against any employee because the employee has exercised in good faith the rights protected under this Chapter. Such rights include but are not limited to the right to file an oral or written complaint with the Department about any employer's alleged violation of this Chapter; the right to inform his or her employer, union or similar organization, and/or legal counsel about an employer's alleged violation of this Chapter; the right to cooperate with the Department in its investigations of alleged violations of this Chapter; the right to oppose any policy, practice, or act that is unlawful under this Chapter; and the right to inform other employees of his or her potential rights under this Chapter.

3. It shall be considered a violation for an employer to communicate to a person filing a wage claim, directly or indirectly, explicitly or implicitly, the willingness to inform a government employee that the person is not lawfully in the United States, report or threaten to report suspected citizenship or immigration status of an employee or a family member of the employee to a federal, state, or local agency because the employee has exercised a right under this Chapter.



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1 C. Notice, Posting, and Records

2 1. Employers shall give notice to employees in English, Spanish and any other
3 language commonly spoken by employees at the particular workplace that they are
4 entitled to the minimum wage and minimum compensation; that retaliation against
5 employees who exercise their rights under this Chapter is prohibited; and that each
6 employee has the right to file a charge or bring a civil action if the minimum wage or
7 minimum compensation as defined in this Chapter is not paid or the employee is
8 retaliated against for engaging in an activity protected under this Chapter.

9 2. Employers may comply with this section by posting in a conspicuous place at any
10 workplace or job site where any covered employee works a notice published each year by
11 the Department informing employees of the current minimum wage and minimum
12 compensation rates applicable in that particular workplace or jobsite and of their rights
13 under this Chapter in English, Spanish and any other languages commonly spoken by
14 employees at the particular workplace or job site.

15 3. Employers shall retain payroll records pertaining to covered employees for a
16 period of three years documenting minimum wages and minimum compensation paid to
17 each employee.

18 D. Charges and Investigation

19 1. The Department may investigate any violations of this Chapter. A charge
20 alleging a violation of this Chapter should include a statement of the dates, places, and
21 persons or entities responsible for such violation. A charge alleging a violation of this
22 Chapter may also be filed by the Director on behalf of an aggrieved individual when the
23 Director has reason to believe that a violation has occurred.

24 2. Charges filed under this Chapter must be filed within 3 years after the occurrence
25 of the alleged violation. The applicable statute of limitations for civil actions is tolled
26



Brian Surratt/pml/de
MOS Minimum Wage ORD
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1 during the Department's investigation and any administrative enforcement proceeding
2 under this Chapter based upon the same facts.

3 3. The Director shall cause to be served or mailed by certified mail, return receipt
4 requested, a copy of the charge on the respondent within 20 days after the filing of the
5 charge and shall promptly make an investigation thereof.

6 4. The investigation shall be directed to ascertain the facts concerning the alleged
7 violation of this Chapter, and shall be conducted in an objective and impartial manner.

8 5. During the investigation the Director shall consider any statement of position or
9 evidence with respect to the allegations of the charge which the charging party or the
10 respondent wishes to submit. The Director shall have authority to sign and issue
11 subpoenas requiring the attendance and testimony of witnesses, and the production of
12 evidence including but not limited to books, records, correspondence or documents in the
13 possession or under the control of the employer subpoenaed.

14 E. Findings of Fact and Notice of Violation.

15 1. The results of the investigation shall be reduced to written findings of fact, and a
16 written determination shall be made by the Director that a violation of this Chapter has
17 occurred. The findings of fact shall be furnished promptly to the respondent and charging
18 or aggrieved party in the form of a notice of violation.

19 2. Within sixty days of a notice of violation, the Director shall confer with the
20 parties and determine an appropriate remedy, which shall include full payment of unpaid
21 wages due to the charging or aggrieved party under the terms of this Chapter. Such
22 remedy shall be reduced to writing in an order of the Director.



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1 F. Remedies

2 1. An employer who willfully violates the notice and posting requirements of this
3 section shall be subject to a civil penalty in an amount not to exceed \$125 for the first
4 violation and \$250 for subsequent violations.

5 2. It is unlawful for any employer to willfully resist, prevent, impede or interfere
6 with the Director in the performance of his or her duties under this Chapter. Conduct
7 made unlawful by this section constitutes a violation and any employer who commits
8 such a violation may be punished by a civil penalty of not less than \$1,000 and not more
9 than \$5,000.

10 3. For a first time violation of this Chapter, the Director shall issue a warning and
11 may assess a civil penalty of up to \$500 for improper payment of minimum wage and
12 minimum compensation as defined in this Chapter. For subsequent violations, the
13 Director shall assess a civil penalty for improper payment of minimum wage and
14 minimum compensation as defined in this Chapter. A civil penalty for a second time
15 violation of this Chapter shall be not greater than \$1,000 per employee or an amount
16 equal to ten percent of the total amount of unpaid wages, whichever is greater. A civil
17 penalty for a third violation of this Chapter shall not be greater than \$5,000 per employee
18 or an amount equal to ten percent of the total amount of unpaid wages, whichever is
19 greater. The maximum civil penalty for a violation of this chapter shall be \$20,000 per
20 employee.

21 4. Within sixty days of a notice of violation of this Chapter, the Director shall confer
22 with the parties and determine an appropriate remedy, which shall include full payment
23 of unpaid wages and accrued interest due to the charging or aggrieved party under the
24 terms of this Chapter. Such remedy shall be reduced to writing in an order of the
25 Director.



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1 G. Appeal Period and Failure to Respond

2 1. An employer may appeal the Director's order by requesting a contested hearing in
3 writing within 15 days of service. If an employer fails to appeal the Director's order
4 within 15 days of service, the Director's order shall be final and enforceable. When the
5 last day of the appeal period so computed is a Saturday, Sunday, or federal or City
6 holiday, the period shall run until 5:00 p.m. on the next business day.

7 H. Appeal Procedure and Failure to Appear

8 1. Contested hearings shall be conducted pursuant to the procedures for hearing
9 contested cases contained in Section 3.02.090 and the rules adopted by the Hearing
10 Examiner for hearing contested cases. The Director shall have the burden of proof by a
11 preponderance of the evidence before the Hearing Examiner. Failure to appear for a
12 requested hearing will result in an order being entered finding that the employer cited
13 committed the violation stated in the Director's order. For good cause shown and upon
14 terms the Hearing Examiner deems just, the Hearing Examiner may set aside an order
15 entered upon a failure to appear.

16 2. In all contested cases, the Hearing Examiner shall enter an order affirming,
17 modifying or reversing the Director's order.

18
19 Section 8. A new Section 14.19.070 is added to the Seattle Municipal Code as follows:

20 **14.19.070 Severability**

21 The provisions of this Chapter are declared to be separate and severable. If any clause,
22 sentence, paragraph, subdivision, section, subsection or portion of this Chapter, or the
23 application thereof to any employer, employee, or circumstance, is held to be invalid, it shall not
24 affect the validity of the remainder of this Chapter, or the validity of its application to other
25 persons or circumstances.



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Section 9. A new Section 14.19.080 is added to the Seattle Municipal Code as follows:

14.19.080 Other Legal Requirements

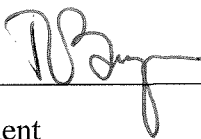
This Chapter provides minimum wage and minimum compensation requirements and shall not be construed to preempt, limit, or otherwise affect the applicability of any other law, regulation, requirement, policy, or standard that provides for greater wages or compensation; and nothing in this Chapter shall be interpreted or applied so as to create any power or duty in conflict with federal or state law. Nor shall this Chapter be construed to preclude any person aggrieved from seeking judicial review of any final administrative decision or order made under this Chapter affecting such person.




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1 Section 10. This ordinance shall take effect and be in force 30 days after its approval by
2 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it
3 shall take effect as provided by Seattle Municipal Code Section 1.04.020.


4 Passed by the City Council the 2nd day of June, 2014, and
5 signed by me in open session in authentication of its passage this
6 2nd day of June, 2014.

7
8 
9 President _____ of the City Council

10 Approved by me this 3 day of June, 2014.

11
12 
13 _____
14 Edward B. Murray, Mayor

15 Filed by me this 3rd day of June, 2014.

16
17 
18 _____
19 Monica Martinez Simmons, City Clerk

20 (Seal)



Brian Surratt
 MO Minimum Wage 2014 FISC
 May 14, 2014
 Version #1

Form revised: February 26, 2014

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Mayor's Office (MO)	Brian Surratt/386-4071	Jeanette Blankenship/615-0087

Legislation Title:

AN ORDINANCE relating to employment in Seattle; adding a new Chapter 14.19 to the Seattle Municipal Code; establishing minimum wage and minimum compensation rates for employees performing work in Seattle; and prescribing remedies and enforcement procedures.

Summary of the Legislation:

This legislation provides for an increase in the minimum wage in the City of Seattle to \$15.00 an hour, phased in over time, beginning in 2015:

- Small employers (businesses with fewer than 500 employees) will reach a \$15.00 an hour minimum wage in seven years. Also established is a temporary guaranteed minimum compensation responsibility of \$15.00 an hour to be met within the first five years, which can be achieved by combining employer-paid health care contributions, consumer-paid tips, and employer-paid wages.
- Large employers (businesses with 500 or more employees, either in Seattle or nationally) will reach \$15.00 per hour in three years. The wages of employees who receive health care benefits will reach \$15.00 per hour in four years.

Background:

The Mayor formed an "Income Inequality Advisory Committee," a group comprised of representatives from Seattle's employer, labor, and non-profit communities to address the pressing issue of income inequality in Seattle. The committee was charged with delivering recommendations on how best to increase the minimum wage in Seattle in a way that ensures that our economy is vibrant enough and fair enough to embrace all who live and work here. The Income Inequality Advisory Committee reviewed the impact of minimum wage increases in other cities, relevant studies and other appropriate data, and hosted numerous public engagement forums, including industry-specific forums and the "Income Inequality Symposium" at Seattle University. The Income Inequality Advisory Committee concluded the following:

- Seattle's minimum wage should be raised to \$15.00 per hour, the minimum wage should be phased in over time, and the first year of implementation of a phased increase of the minimum wage should begin in 2015;
- Once the minimum wage reaches \$15.00 per hour it should rise in concert with the consumer price index;
- No industry sector exemptions from the \$15.00 per hour minimum wage;
- Smaller businesses and non-profits would face particular challenges in implementing a higher minimum wage; and
- The minimum wage law should be accompanied by a strong enforcement and worker and



Brian Surratt
MO Minimum Wage 2014 FISC
May 14, 2014
Version #1

business education program.

This legislation does not have any financial implications.

This legislation has financial implications.

Appropriations:

Appropriations Notes:

An increase in City appropriations will be incurred in 2015 and subsequent years to 1) raise City employee wages that fall below \$15.00 an hour following Schedule 1; 2) provide enforcement for wage compliance; and 3) provide business education. The increase in costs will be analyzed and refined through the 2015-2016 Budget development process. Appropriation increases, where necessary, will be included in the 2015 Proposed Budget.

- 1) The estimated 2015 impact to the City budget for City employee wage increases associated with this legislation is approximately **\$200,000**. The total incremental cost to the City to bring all wages on Schedule 1 up to \$15 an hour by January 1, 2017 is approximately **\$1,000,000**. These estimates assume a 2.4% cost of living increase each year for City employees, which may be adjusted to actual CPI or labor negotiations, and also include associated increases in payroll taxes for FICA, Medicare and Retirement.
- 2) The Department of Finance and Administrative Services will incur costs related to enforcing this legislation which will be analyzed in the 2015-2016 Budget process. The final scope of the program may be impacted by the work of the Labor Standards Advisory Committee, which is currently reviewing the labor standards enforcement functions across multiple City departments.
- 3) Business education potential needs and associated costs incurred by the City will be analyzed through the 2015-2016 Budget process.

Other Implications:

- a) **Does the legislation have indirect financial implications, or long-term implications?**
Yes. In addition to City costs, employers in the City of Seattle will have increased financial costs for employees currently earning below \$15.
- b) **What is the financial cost of not implementing the legislation?**
The public welfare, health, and prosperity of Seattle require wages and benefits sufficient to ensure a decent and healthy life for all Seattle workers and their families. Not implementing this legislation will delay progress in improving public welfare, health and prosperity.
- c) **Does this legislation affect any departments besides the originating department?**
 - o Finance and Administrative Services will incur costs related to enforcement.



Brian Surratt
MO Minimum Wage 2014 FISC
May 14, 2014
Version #1

○ All departments with employees below \$15 an hour.

d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?

The Income Inequality Advisory Committee analyzed numerous alternatives. This legislation implements the alternative selected by the committee.

e) Is a public hearing required for this legislation?

No.

f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No.

g) Does this legislation affect a piece of property?

No.

h) Other Issues: N/A.

List attachments to the fiscal note below: None.



City of Seattle
Edward B. Murray
Mayor

May 15, 2014

Honorable Tim Burgess
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Burgess:

I am pleased to transmit the attached proposed Council Bill establishing new minimum wage and minimum compensation rates for Seattle workers.

Last December, I convened the "Income Inequality Advisory Committee" with representatives from Seattle's employer, labor, and non-profit communities to address what President Barack Obama has referred to as 'the defining issue of our time.' The Advisory Committee supported a framework embedded in this legislation that includes:


- Small employers (businesses with fewer than 500 employees) will reach a \$15 per hour minimum wage in seven years. Also established is a temporary guaranteed minimum compensation responsibility of \$15 per hour to be met within the first five years, which can be achieved by combining employer-paid health care contributions, consumer-paid tips, and employer-paid wages.
- Large employers (businesses with 500 or more employees, either in Seattle or nationally) will reach \$15 per hour in three years. The wages of employees who receive health care benefits will reach \$15 per hour in four years.

The legislation means a minimum wage worker in Seattle will earn at least \$4 more per hour, or \$6,240 more per year, than a minimum wage worker elsewhere in Washington

As you know, cities are our true laboratories of democracy. The creative energy for experimental thinking and the courage and will to try novel ways of improving our communities are all deeply ingrained in our city's DNA. With this legislation, the people of Seattle are seizing control of our own destiny and are leading the way to show how cities can choose to be affordable cities for all.

Thank you for your consideration of this legislation. Should you have questions, please contact Brian Surratt at 206-684-8591.

Sincerely,


Edward B. Murray
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

Office of the Mayor
Seattle City Hall, 7th Floor
600 Fourth Avenue
PO Box 94749
Seattle, Washington 98124-4749

Tel (206) 684-4000
Fax: (206) 684-5360
Hearing Impaired use the Washington Relay Service (7-1-1)
www.seattle.gov/mayor



Exhibit 2

From: Nick Hanauer <nick@secondave.com>
Sent: Saturday, May 03, 2014 11:46 AM
To: David Rolf; Gregorich, Chris; Surratt, Brian K.; Feldstein, Robert; ERIC LIU
Subject: Re: Subway

Whoops. I meant large!

From: Nick Hanauer <nick@secondave.com>
Date: Saturday, May 3, 2014 at 9:27 AM
To: David Rolf <David.Rolf@seiu775.org>, Chris Gregorich <chris.gregorich@seattle.gov>, "Surratt, Brian K." <Brian.Surratt@seattle.gov>, "Feldstein, Robert" <Robert.Feldstein@seattle.gov>, ERIC LIU <epliu@me.com>
Subject: FW: Subway

I had great convo's with Burgess and Sally Clark yesterday. Sally seems willing to move the process quickly, worries that we will be able to keep our coalition together.

Tim is super supportive but had one concern about franchise owners that I suspect will come up a lot. My response is here. I think we need to assert this more broadly.

From: Nick Hanauer <nick@secondave.com>
Date: Saturday, May 3, 2014 at 9:19 AM
To: "Burgess, Tim" <Tim.Burgess@seattle.gov>, Tim Burgess <councilmembertim@facebook.com>
Subject: Subway

Tim,

It was great talking to you yesterday. Thanks for anything you can do to move the minimum wage ordinance quickly. But I wanted to follow up with one thought and that regards the trade-offs we discussed regarding franchise owners.

I am well aware that the compromise we fashioned classified most franchise owners as **Large**. This was our intent and I believe that there are very good reasons for this.

Our effort is largely animated by our view that the radical and rising inequality that the trickle down economic theory has brought is terrible both for our economy and our democracy. The central idea, if the rich get richer, that's good for the economy and equally, if the poor get richer, that's bad for the economy, is as economically idiotic as it is morally obnoxious.

But there is a related idea that is almost as pernicious which is, that if the big get bigger, that is good for the economy, and if the small get bigger that is bad for the economy. These twin ideas and intuitions obviously serve the interests of the powerful incredibly well, but no one else.

In the piece that we wrote for the Stranger, Eric Liu and I asserted that we need to rethink the very nature of the capitalism that we want. The truth is that franchises like subway and McDonalds really are not very good for our local economy. They are economically extractive, civically corrosive and culturally dilutive. Can you think of anytime people got excited about the addition of one of these franchises to their neighborhood???

These companies have optimized their business models around paying workers poverty wages while corporate racks up huge profits and tax payers make up the difference. Our new ordinance may force them to change their practices and business models, something which I think is a great contribution to our nations economy and democracy.

To be clear, the net amount of food people in Seattle will consume will not change if we have fewer franchises. What will change is what they consume and from whom. A city dominated by independent, locally owned, unique sandwich and hamburger restaurants will be more economically, civically and culturally rich than one dominated by extractive national chains. You can't get more stuff at the Pike Place market than at a Walmart, but nobody every flew around the world to go visit a Walmart.

We live in an economy where we grant the franchise owner the massive benefits of scale they have over the local business as if these advantages were derived from God and were intrinsically just and beneficial to society. This is crazy. Why not have a local economy that grants the same benefits of scale to the local owner- who rewards our city by keeping the money here, improving the civic landscape and creating cultural value by adding something that is unique and high quality? Why should we prefer to dilute and homogenize, rather than accrete and diversify?

I realize this argument is somewhat abstract, by I do believe it is at the core of what we should be thinking about as a city and a a nation. Thanks again for everything that you do.

Exhibit 3

From: Feldstein, Robert
Sent: Monday, May 05, 2014 7:07 AM
To: Surratt, Brian K.
Subject: RE: Subway

Brian –

Don't want to start an email seminar, but am curious about below. You think worth asking or will only cause problems?

Nick (and all) -

I really appreciate this, thanks (and yes, they are classified as larger, not smaller). I like the thinking but would love some additional thinking to help think through how to answer concerns about the effect on the individual immigrant business owner who decided to open a Subway rather than a bahn mi shop.

I will admit upfront that I probably know least about franchise model so there might be big gaps that I don't understand. That's part of why I am asking for help in thinking this through. Given the franchises' history of offloading risk, it seems to me likely the individual owners will be hurt as he or she is caught between the proverbial rock (new city law) and a hard place (corporate franchise agreement limiting freedom to make necessary business choices). Subway would hardly notice the loss (With 40,000+ franchises, they must open and close shops all the time) but the owner may well face personal bankruptcy. And just asking an individual immigrant owner to renegotiate with corporate America seems unrealistic - it's not in the corporations interest to set precedent for 40,000+ other places to accommodate a few in Seattle.

If we lose franchises in Seattle, I won't be sad – for all the reasons you say. But are their ways for the cost to be born not on those franchise owners? Are they simply going to be a casualty of this transition? Are they less sympathetic or less at financial risk than I am imagining? Are there other things we can be doing?

(And to be clear, I am not looking to change the rules to allow some franchises to be small. I get the deadstop problem of treating employees of different McDonalds or Subways differently, and furthermore recognize the foundational role fast-food workers had in starting this. I am just channeling this argument so I can best understand the responses.)

If this is easier done by phone, please give me a ring at 206.681.6456

Thanks,
Robert

From: Nick Hanauer [mailto:nick@secondave.com]
Sent: Saturday, May 03, 2014 9:21 AM
To: David Rolf; Gregorich, Chris; Surratt, Brian K.; Feldstein, Robert; ERIC LIU
Subject: FW: Subway

I had great convo's with Burgess and Sally Clark yesterday. Sally seems willing to move the process quickly, worries that we will be able to keep our coalition together.

Tim is super supportive but had one concern about franchise owners that I suspect will come up a lot. My response is here. I think we need to assert this more broadly.

From: Nick Hanauer <nick@secondave.com>

Date: Saturday, May 3, 2014 at 9:19 AM

To: "Burgess, Tim" <Tim.Burgess@seattle.gov>, Tim Burgess <councilmembertim@facebook.com>

Subject: Subway

Tim,

It was great talking to you yesterday. Thanks for anything you can do to move the minimum wage ordinance quickly. But I wanted to follow up with one thought and that regards the trade-offs we discussed regarding franchise owners.

I am well aware that the compromise we fashioned classified most franchise owners as small. This was our intent and I believe that there are very good reasons for this.

Our effort is largely animated by our view that the radical and rising inequality that the trickle down economic theory has brought is terrible both for our economy and our democracy. The central idea, if the rich get richer, that's good for the economy and equally, if the poor get richer, that's bad for the economy, is as economically idiotic as it is morally obnoxious.

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In the piece that we wrote for the Stranger, Eric Liu and I asserted that we need to rethink the very nature of the capitalism that we want. The truth is that franchises like subway and McDonalds really are not very good for our local economy. They are economically extractive, civically corrosive and culturally dilutive. Can you think of anytime people got excited about the addition of one of these franchises to their neighborhood???

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I realize this argument is somewhat abstract, by I do believe it is at the core of what we should be thinking about as a city and a nation. Thanks again for everything that you do.

Exhibit 4

From: David Meinert <david@davidmeinert.com>
Sent: Monday, May 05, 2014 12:37 PM
To: Surratt, Brian K.
Cc: Feldstein, Robert
Subject: Re: IIAC

Lct me know when. I'm in meetings about One Scattle's initiative and polling. Just so you know the room is packed and people are pissed.

Ironically, Sawant is also pissed at Rolf and Labor for manipulating the process and using this issue for goals outside of raising all workers wages. I hope you realize how much Rolf has played all of us, including you guys.

David Meinert

A PO Box 19436, Seattle WA 98109
E david@davidmeinert.com
P 206 352 6892 x300
C 206 948 6672
F 206 374 2700
t @davidmeinert

On May 5, 2014, at 10:59 AM, Surratt, Brian K. <Brian.Surratt@scattle.gov> wrote:

Yes, let's setup a time to discuss.

No, David Rolf did not have an office here.

From: David Meinert [<mailto:david@davidmeinert.com>]
Sent: Monday, May 05, 2014 9:18 AM
To: Surratt, Brian K.; Feldstein, Robert
Subject: IIAC

Hey you guys, I'd like to meet. The more I dig into what I 'agreed' to the more I feel we were obviously snowed by Rolf.

First, the non-profit enforcement idea is something I have to come out against. If this changes my position then so be it. It turns out this is a tactic used by SEIU in all of their new contracts to help organize. This proposal looks more and more like a bunch of ideas cobbled together by SEIU to organize rather than to raise wages in the best way for everyone. From breaking franchise agreements to outside 'education' of workers funded by the city, to getting rid of tips to lack of training wage. I have to speak out against these things. I can support the rest of the framework, and I guess most of the process. We should set up a time to discuss.

And, I will also speak out about the process. It was horrible. And I just learned that Rolf had an office on the 7th floor during this process? Is that actually true?

Exhibit 5

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Email or Phone

Password

[Log In](#)

Keep me logged in

[Can't log in?](#)



David Meinert

May 28 · Seattle, WA · Edited ·

I was asked to serve on the Mayor's Income Inequality Committee, and committed to work with a broad array of voices in finding a way to address income inequality locally by raising the minimum wage in Seattle. As representatives of business I entered into this in good faith, agreeing we needed to act.

Recently Mayor Murray announced a deal from the committee, said to be a compromise, claiming it would meet his goal of avoiding a costly battle at the ballot box. Much credit was given for a collaborative process that brought business together with non-profits and labor unions to craft a near consensus compromise. All nice, except none of this is true.

In fact, the process was a charade. And in the end, business isn't supporting it, and \$15Now is running their initiative. So if success was broad support and no initiative, this is a failure.

At the end of the process many on the committee did agree to tentatively support the 'deal' IF the actual ordinance reflected what we agreed to. Unfortunately, the final ordinance does not reflect what the IIAC agreed to, and many important details were changed between agreements at the meetings and drafting of the final document. This sort of bad faith negotiating took place throughout the process, as the Mayor's staff, out of either incompetence or intentional dishonesty, continued to change what was agreed upon to something in draft form that reflected only what Labor leaders wanted. The final ordinance draft changed important elements of what was agreed on.

It should also be pointed out that the final tally of IIAC members supporting the framework of a deal wasn't based on compromise as much as political blackmail. In the final negotiations the Mayor's staff told the business side that we could agree to what they had put on the table (which again, wasn't what had been agreed to), or the Mayor would draft something "worse" to send to council. That's not creating a compromise or consensus. It's bullying.

Had this process been run better and more honestly, Seattle could have drafted a \$15 minimum wage ordinance that both business leaders and labor leaders supported. It could have been historic. Unfortunately it's more of a mess than historic. During the process, over and over again Labor stormed out of the room, cried, yelled, and took "religious" positions - in that they made no sense but could not be compromised on. The final ordinance reflects goals of Labor leaders that go far beyond raising the minimum wage. They include breaking the franchise model to open up franchise agreements to allow for collective bargaining, getting rid of tipping, moving away from part time work, and moving people out of employee paid health plans into the State exchange. None of these are necessarily bad things, but they shouldn't have been legislated in this ordinance. Labor manipulated this process and I have lost all respect for the labor leaders involved.

So we have a messy ordinance with 4 different minimum wages, different phase in times for different businesses, a move away from standard definitions of what a business is and what an employee is, and confusing elements like "phasing out" of tips and health care benefits.

As a result of there being no tip credit for "large" businesses and the tip credit for small business phasing out, expect to see the restaurant industry in Seattle move to service charges instead of tips. Few in the full service restaurant industry will make any more money, but many servers and bartenders will make significantly less. Lay the blame for that squarely at the feet of everyone who supports this deal, Labor leaders, and the electeds who vote for it. Ironically, restaurant owners will make the same, some even more.

In the end, I am so disgusted with this process, and with the inner workings of local politics, the callous disregard for negative impacts on small business and small non profits, that I am feeling pretty done with local politics. And I hate to say it, but I'm not sure I can support candidates who also take money from SEIU, UFCW and the King County Labor Council. I'd rather give my money to the many small progressive non-profits they are willing to crush because they aren't part of their unions so none of their concern. Be skeptical and cynical as you can be about politicians, and never doubt that they are more than willing to trade good policy, policy they believe in, for donations, votes, appearances over substance, and press. And in the end, the only people who will be celebrating this ordinance are those that want these things. It's a shit ordinance. Don't even begin to think otherwise. When you read who takes credit for it in the national media, you will know who wins, and why.

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It would be a good time for the Mayor and Council to read Hans Christian Anderson. This ordinance is naked.

(PS - a real compromise would have been big and small businesses all going to \$15 in 3 years, with a permanent, enforceable tip credit, a health care credit, exempting micro businesses and non-profits. This would have been better for workers and for business. Could have. Should have. That was traded away.)

Grace Jurado, Katy Cooper, Michelle Boline and 118 others like this.

48 shares

Comments Omitted

Exhibit 6



May 19, 2014
Sent via email

International Franchise Association Opposes Minimum Wage Proposals That Would Unfairly Destroy Established Franchise Model

Mayor Murray and Members of the Seattle City Council:

On behalf of the International Franchise Association (IFA), I write to express our significant concerns with possible minimum wage proposals that would unfairly and unjustifiably destroy the established franchise model.

For example, the following definition contained in the Mayor's proposal is very problematic and creates unprecedented challenges for businesses across a wide range of industries operating under a franchise model:

“Schedule 1 Employer” means all employers that employ more than 500 employees in the United States, regardless of where those employees are employed in the United States, and all franchisees associated with a franchisor or a network of franchises with franchisees that employ more than 500 employees in aggregate in the United States;

According to case law as well as state and federal statutes, franchisees are not the employees of franchisors. Likewise, franchisees' employees are not the employees of franchisors. It is the owner of an individual local franchise who is responsible for the hiring and wage decisions at his or her location. To hold otherwise, would be unprecedented, raise constitutional concerns, and would overturn basic tenets of contract law.

The Mayor's proposal further compounds the unfair treatment of franchisees, particularly those with only one or a handful of locations, by including a separate definition of non-franchised businesses:

“Schedule 2 Employer” means all employers that employ 500 or fewer employees regardless of where those employees are employed in the United States. Schedule 2 employers do not include franchisees associated with a franchisor or a network of franchises with franchisees that employ more than 500 employees in aggregate in the United States;

The perverse effect of these two definitions would be that a small franchisee with a few employees would be forced to pay higher wages than a non-franchised business with hundreds of employees. These unfortunately situated franchisees will be forced out of business due to the unfair competitive marketplace created due to this proposal.

Likewise, franchisors will no longer be able to offer new franchise locations to potential owners of single establishments. The net result will be more corporate owned and operated stores, eviscerating a business model responsible for creating small business ownership opportunities for millions of Americans.

As you consider the recent various minimum wage proposals, the IFA respectfully urges you not to disrupt the business format model that provides more than 19,000 jobs to local Seattle residents and

helps franchise owners achieve their entrepreneurial dreams, including women, minorities and veterans.

Please do not hesitate to contact me for further information or assistance.

Sincerely,



Dean Heyl
Vice President, State Government Relations,
Public Policy & Tax Counsel
International Franchise Association
1501 K Street, NW, Suite 350
Washington, DC 20005
202.662.0792
dhey1@franchise.org

The International Franchise Association is the world's oldest and largest organization representing franchising worldwide. Celebrating over 50 years of excellence, education and advocacy, IFA works through its government relations and public policy, media relations and educational programs to protect, enhance and promote franchising.

Exhibit 7



Michael H. Seid
Managing Director

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27 May 2014

The Honorable Ed Murray
Mayor, City of Seattle
The Honorable Tim Burgess
Council President, City of Seattle
Member of the Seattle City Council
600 4th Avenue
Seattle, WA 98104-1850

Re: "\$15 Per Hour Minimum Wage Legislation"

Dear Mayor Murray, Councilman Burgess and the Members of the Seattle City Council:

I wish to express my concern and strong opposition to the \$15.00 per hour minimum wage legislation that has been proposed for the City of Seattle and which the Seattle City Council is currently considering.

By way of background, I am founder and Managing Director of MSA Worldwide. MSA is considered the nation's leading franchise advisory firm. Our primary clients range from small to mid-sized emerging companies that are either considering franchising for the first time to some of the world's largest franchised and non-franchised brands, many with locations in the City of Seattle and throughout the State of Washington.

In addition to my commercial endeavors, I am also a Social Franchisor that supports a growing network of over 140 franchised medical clinics serving at the "Bottom of the Pyramid" ("BOP") in East Africa. CFW and OFW clinics operate primarily in Kenya and Rwanda to provide basic quality healthcare and authentic drugs to the poor in underserved peri-urban areas.

Social Franchising is the application of the techniques and technology found in Business Format Franchising to achieve societal benefits. Social Franchisors are generally not for profit entities (NGOs). However, their franchisees are small business owners that operate their individually owned businesses to support their families. These are highly subsidized franchise entities because unlike traditional franchisees, their customers can often not afford the \$1.75 it takes to treat their child's malaria or other common illness. One of our brand standards is that caring for the patient comes before their ability to pay. But other than the environment our franchisees work in and the level of poverty of our clients, the local nurses that own their clinics and work every day in their small businesses are identical to the

The Honorable Ed Murray
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Member of the Seattle City Council
27 May 2014
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franchisees that serve you products and services in the City of Seattle. They make their living and support their families by their hard work in their independently owned businesses.

CFW also supports the efforts of USAID by providing them with advice in establishing non-branded medical clinics in the Congo. The technology used in establishing and supporting small businesses by franchisors drives the product and service quality and excellence families in the Congo are entitled to receive, and in my opinion with the dignity they deserve. My firm's practice also is engaged elsewhere at the BOP including in assisting in the development of a woman's reproductive health system in Ghana and to the African Women's Entrepreneurship Program (AWEP), an organization of more than 35,000 African businesswomen that was launched with the on-hands assistance of then Secretary Clinton. The purpose of AWEP is to provide African women with the tools and opportunities to accelerate the growth of their businesses, become leaders in their communities and drive social and economic progress in Africa. Several years ago the International Franchise Association established its Social Sector Taskforce whose purpose is to improve the quality of life for the poor worldwide and I am privileged to be the chair of the IFA's initiative.

I co-authored *Franchising for Dummies*, with the late Dave Thomas, Founder of Wendy's International, who participated in writing the book's first edition with me. I am privileged to be the first professional ever directly elected to the Board of Directors of the International Franchise Association and the first recipient of the Hall of Fame Award from Franchise Update Media Publications.

I am fortunate. I learned much of my craft from my parents, second generation Americans, who were small business owners in New York and worked harder than anyone I have ever met (other than my friend's parents) to ensure that their children and through them their great grandchildren had the opportunities their own parents worked so very hard for them to first have. I am the product of small business ownership. I am as common an American as can be found. My family's story is no different than any other family owned and operated small business including those found in the City of Seattle today. The only difference is that my grandparents and my parents did not have the advantage of being able to have the guidance and support that today's small business owner can gain by joining a strong branded franchise system and therefore they had to go it alone.

I have a seasoned track record, in the United States and internationally, of focusing in on solving societal needs using the technology found in franchising. **I am not an alarmist nor do I exaggerate my claims to make a point. While I take no position at this time on the merits of your decision to enact a living wage requirement on businesses in the City of Seattle, doing so in the way that is proposed, which discriminates against a large class of small independent business owners merely because they have invested in opening their businesses under a brand name, is unfair to those individuals and will be counter-productive to the intended purpose of this proposed minimum wage increase, as further discussed below.**

I have reviewed the objections to the proposed minimum wage legislation that were provided by the International Franchise Association and others and I share their concerns. Based upon my extensive experience in franchising in the United States as well as internationally, I was surprised by the unprecedented reach of this proposed legislation and in its treatment of franchisees in your city. I know of no city, state, nor indeed any country that has taken the approach being considered in this legislation.

This proposed legislation effectively creates a new separate class of employer in the City of Seattle by singling out franchisees. It transforms the beneficial purpose that franchising provides to these franchisees into a negative as franchisees will be unable to compete with similarly situated non-branded independently owned businesses. In the process it will have a significantly negative impact on the creation of economic opportunity and jobs for the citizens of Seattle as well as adversely effect consumers. Because of the discriminating treatment of franchisees under this proposed law, the high

The Honorable Ed Murray
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27 May 2014
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quality branded products and services offered by franchise system will slowly begin to be withdrawn from the Seattle marketplace. Singling out franchisees for this negative treatment in the City of Seattle will effectively make it economically impossible to own and operate a franchise business within its borders.

Franchising's roots go back to before our nation's independence with the establishment of printing franchises by Benjamin Franklin starting in 1731. Business Format Franchising is of considerable importance to the economic development of the United States, including the City of Seattle and throughout the State of Washington. Under a franchise relationship, franchisees are able to establish independently owned businesses that enable hard working entrepreneurs to obtain the Great American Dream of business ownership. The stability and proven capability of franchising as an investment vehicle has enabled thousands of Seattle's residents to establish businesses that care for themselves and their families and create thousands of jobs in your city. Franchising and the City of Seattle share a very long and mutually beneficial relationship

According to the International Franchise Association's well-documented study, the franchised businesses in Seattle collectively employ more than 19,000 individuals. Hundreds of branded franchise systems are represented in your city today. **The selective treatment of franchisees in the proposed legislation effectively means that they will no longer be allowed to compete effectively and transforms the very nature of franchising by converting a beneficial license into a localized penalty.** By penalizing a franchisee because they joined a system of scale or a brand that has the capability of growth effectively establishes a form of co-employer relationship measured by the number of persons the entire franchise system employ nationwide. It fails to understand that franchisees are no different than any other small business owner that they independently own and operate and invest in their small businesses. In doing so it creates a new class of business ownership in the city deprived of the ability to compete with other similarly situated small business.

Through its actions, the City of Seattle will harm small business people simply because they chose to be governed by the brand promise and quality standards of a branded system and, for no other apparent reason. It is the delivery on a franchisor's brand promise and quality standards that the citizens of Seattle have come to depend upon in their daily life and that are available because of franchisee ownership of these small businesses.

I noted that the Fiscal Notes for Non-Capital Projects, that accompanies the proposed legislation, makes the claim that this proposed act will not affect a "piece of property", and that is not true. The proposed legislation seriously impacts the intellectual property of franchisors and franchisees in Seattle. **There is significant case law that real property and intellectual property are to be treated identically under the Taking Clause of the United States Constitution and therefore the negative assertion in the Fiscal Notes is factually incorrect.** In addition to the very real economic harm this proposed legislation causes to franchisees in Seattle, it also creates legal and economic risk for the City of Seattle under the law, including the Constitutions of the United States and that of the State of Washington.

In the process of creating sustainable opportunities for small business owners through their investment in a supported and branded business opportunity, franchising has provided the consumer in Seattle with access to consistent quality products and services, provided in a safe manner. The effect of this proposed legislation will be the elimination of the ability for individuals to seek ownership of small businesses in branded and supported systems because franchisors will be forced to begin withdrawing their branded locations and the opportunity for new small business creation, over time, from the city. This bill will impact more than 120 industries that bring opportunities for the ownership of job creating businesses in Seattle and will lessen the quality of life for consumers as their access to these branded products and services will no doubt begin to decline.

The Honorable Ed Murray
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Franchising is one of the great engines of job creation in the United States and Washington State, including the City of Seattle. It has a proven track record as the nation's most prolific resource for training in management and entrepreneurial skills. Franchising has become the place where young people and often disadvantages residents find their first opportunity to join the labor force. Many of the senior executives of public companies began their career working in franchisee owned businesses. I would expect that some of the members of the Seattle City Council also began their working careers working in a franchisee owned business.

Because of the standards and consistent methods of operations inherent in franchise systems, the local businesses that own and operate in Seattle are a terrific place for your residents to work as it teaches them skills that will benefit them for a lifetime. Indeed, through an initiative started by the International Franchise Association, led and resourced by its President and CEO Steve Caldeira and, with the active support of First Lady Michelle Obama, franchising has created more than 150,000 jobs in under two years for our nation's heroes as they return to civilian life, many of those jobs in the City of Seattle.

By the very nature of the franchise relationship, each franchisee is an independently owned and operated business. Each franchisee manages and operates their business on a day-to-day basis to a franchisor's brand standards. Franchisees make their own human resource decisions on who to hire, how many people to hire, the benefits they offer and how much each of them can afford to pay their staff, just like any other small independent business owner. Franchisees are merely licensees of the franchisor's brands and methods of doing business and that is their sole difference from other independently owned small businesses in Seattle. Even though franchisors share a common brand with their franchisees, franchisors are not owners of their franchisee's independent businesses and do not share in their profits or their losses. Franchisees in Seattle should not be penalized or discriminated against simply because they chose the benefits of operating a branded business as part of a franchise network.

The proposed bill apparently fails to understand the licensing relationship between a franchisor and franchisee and makes the assumption that the licensor and licensee have some collective control over each other's revenue, expenses and in some way share in each other's profitability.

Franchisees are small business owners. They independently invest in their businesses and pay the operating costs of their businesses, as would any other small business owner including but not limited to rent, wages, taxes and debt service and no other party shares in these small business obligations. As licensees, franchising generally pay a continuing licensing fee for the use of the franchisor's brand and intellectual property.

The majority of franchisees finance their investments in their businesses by incurring debt. Frequently their seed capital is raised by taking a second mortgage on their homes or by selling or pledging other assets to secure the necessary down payment local banks require. This is no different from other independently owned business in the City of Seattle. Elevating the cost of doing business for one class of independent businesses over another class of independently owned business effectively makes those targeted small businesses non-competitive and is patently unfair and unwise.

Franchisors structure the financial aspects of their franchise offering based upon the economics of the underlying profitability of the business and the environment in which the business operates. When selecting markets in which to expand, franchisors select markets that allow for consistent, replicable and sustainable growth and chose markets that do not cause risk to their brands or the sustainability of their franchisee's operations. **Should this proposed legislation pass as written to include a higher**

The Honorable Ed Murray
The Honorable Tim Burgess
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minimum wage for franchisees than for all other independent businesses of the same size, the City of Seattle will effectively no longer be a viable place for franchisors or franchisees to operate.

Because of this proposed legislation my firm has already alerted some of our clients, and others, to its impact. We have advised them to hold off on any further expansion into Seattle until we know the outcome of your vote. Should the Seattle City Council pass this proposed legislation I can assure you that franchisors will no longer be able to support expansion into Seattle and won't. The decision by franchisors to bypass Seattle will not be made because they don't want to expand in your city of don't see the attractiveness of doing business in the City of Seattle, but because the risk and anti-competitive nature of this proposed legislation will create excessive costs for franchisees wishing to do business and those additional costs will be far too great to make it acceptable for them to do so. **As written this proposed legislation will statutorily not allow franchising to exist in Seattle because franchisees will not be able to compete with other independent competitors.**

I respectfully ask you not to discriminate against the hard working independently owned franchisees in the City of Seattle.

Please do not hesitate to contact me for additional information or to discuss my opinions.

Sincerely,



Exhibit 8



Michael H. Seid
Managing Director

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31 May 2014

The Honorable Ed Murray
Mayor, City of Seattle
Member of the Seattle City Council
600 4th Avenue
Seattle, WA 98104-1850

Re: "\$15 Per Hour Minimum Wage Legislation"

Dear Mayor Murray and the Members of the Seattle City Council:

While I was unable to attend the Seattle City Council meetings this week, I was able to follow the discussions and the votes live on the Internet. Given the tone and the tenor of the discussions, and the assembled audiences department, I was not genuinely surprised that the impact on small business franchisees was not even considered during the debate.

I again wish to express my strong opposition to this measure and the discrimination against a class of small business owners simply because of their branded affiliation with franchisors, and for no other reason. **By its actions, the City of Seattle is statutorily denying franchisees the right to exist in Seattle because under this law franchisees, that by all legal and other definitions are small business owners, will not be allowed to compete with other independently owned and operated businesses.** Singling out and punishing a class of independent business owners merely because those independently owned businesses chose to license their brand from another company is not only unfair and exceedingly unjust, but I expect will also prove to be both unworkable and unlawful.

From a practical enforcement of this discriminatory act, I failed to see in the legislation any mechanism for the City of Seattle to measure the employment of franchise systems nationwide or to set aside the necessary and substantial dollars such audits and enforcement would require on a continual year-to-year basis.

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As each franchisee nationwide, regardless of the franchise system is independently owned and operated, franchisees do not report, at any level, the types and number of employees to the franchisors whom they license their brand and operating system from. There is no reason that they would and contractually, most franchisors would not have the right to require these franchisees to do so.

While specifying that a franchisee would not be considered a small business should the franchisor from which it licenses its brand have in its own operations or throughout its franchised network 500 or more employees, this legislation provides absolutely no guidepost for ascertaining how that count should take place, be measured or funded. For example, are part time employees that work 5 hours a week equivalent to a 40-hour a week employee under the law? Since in many industries it is common to engage independent contractors, because of valid and legally justifiable reasons, do those independent contractors count as well? Who validates the distinction between an employee and an independent contractor under the law?

Who will fund the immense and continual cost of this undertaking as franchise systems are mostly small enterprises themselves, most with less than 100 locations. It is important to recognize that all franchise systems continually add and close locations on a continual basis, and also that independently owned franchisee operators nationwide continually add and subtract employees. What mechanism is proposed under the law for funding the cost of conducting this initial audit nationwide and the continual cost of auditing and enforcing the local City of Seattle requirements on an ongoing basis?

There is nothing under the law that gives an independent small business franchisee in Seattle the right to contractually obligate its franchisor to invest in conducting the required nationwide audit and follow up audits and enforcement. There is also nothing under the law that would compel an out of state independently owned franchisee from providing the necessary information to its franchisor in order for that franchisor to meet the requirements of the local Seattle law, should it choose to do so. Franchisors have no contractual right to require its franchisees nationwide to provide them with the information required by this local law and I would strongly suggest that most franchisees and franchisors would not have the willingness or capability to do so.

Even should the City of Seattle try to legally require franchisors to conduct such audits, does anyone on the City Council believe that any Federal Court will compel franchisees outside of the City of Seattle to disregard the express terms of their written franchise agreement and provide this information to their franchisors so that the franchisor could comply with local Seattle law? The likelihood that any Federal Court will overturn centuries of Constitutional law to meet a local Seattle law makes this proposition meaningless.

The Honorable Ed Murray
Member of the Seattle City Council
31 May 2014
Page 3

For the sake of argument, suppose that ultimately the United States Court for the Ninth Circuit agrees that you have such national authority (highly unlikely) would you truly expect the Supreme Court to go along with that decision? But assuming they did, would you not expect any court to require the City of Seattle have the necessary resources to indemnify the franchisor and fund the anticipated and unanticipated costs related to the initial and continual audit and enforcement, vicarious liability and co-employment claims and payroll and other taxes which their meeting the requirements of the law will most likely create nationwide?

Under the Ordinance, I understand that the Seattle Department of Finance and Administrative Services may investigate suspected violations, issue subpoenas, and impose civil penalties as high as \$20,000 per employee. If the law is found to be unworkable because it violates Constitutional or other challenges and fails to protect the contractual and other rights of franchisees and franchisors outside of the City of Seattle, under what basis would the Seattle Department of Finance and Administrative services be able to enforce any civil penalties on independently owned businesses in Seattle because of the failure of unaffiliated out of state independently owned businesses to comply with the law. Compliance with the law by businesses outside of the City of Seattle will be a required element necessary for local small business franchisees to comply and, was not even discussed by the City Council or included in the bill.

My firm today, as I intimated in my letter dated 27 May 2014, began to alert our clients and have encouraged others to alert their clients to hold off on any further expansion into Seattle. As I mentioned in my previous letter this action is not because I do not see the attractiveness of doing business in Seattle. My reasons are enumerated above and in my prior letter. The discriminatory manner in way the City of Seattle will treat franchisees and make them non-competitive with all other small independently owned businesses will simply make it impossible for these small business owners to do business in your city. I have also suggested in my letter to clients and others that where possible, they consider assisting existing franchisees to relocate outside of the jurisdiction of this law to protect their business interests prior to the enforcement date in April 2015.

I again respectfully ask you to reconsider your actions and not to discriminate against the hard working independently owned franchisees in the City of Seattle. Please do not hesitate to contact me for additional information or to discuss my opinions.

Sincerely,



Exhibit 9

The Seattle Times

Winner of Nine Pulitzer Prizes

Editorials

Originally published May 30, 2014 at 3:41 PM | Page modified June 2, 2014 at 11:56 AM

Editorial: Redefine franchises under Seattle's minimum-wage proposal

The Seattle \$15 minimum wage proposal punishes locally-owned franchises in a wrongheaded pursuit of fast food CEOs, who undoubtedly couldn't give a rip.

Seattle Times Editorial



WHEN the City Council votes Monday, as expected, to enact a historic \$15 minimum wage, expect McDonald's Chief Executive Don Thompson to be raised at least once as the rapacious face of income inequality.

He is an easy political target. Thompson made \$9.5 million last year, allowing him to earn more in one day than the average McDonald's worker made in 1.4 years.

To level such inequality, the Seattle minimum-wage proposal, as it now stands, defines nearly all franchises as big businesses, giving them only three to four years to raise all workers wages to \$15 an hour. Small businesses (defined as fewer than 500 employees) get up to seven years, cushioning financial blow and offering them a temporary advantage over competitors.

The targeting of Thompson by \$15 activists is jarring because he, undoubtedly, couldn't give a rip about Seattle's radical wage experiment. He certainly isn't going to pay.

Who will pay? The 1,700-some independent franchisees operating in the City of Seattle. In addition to fast-food franchises, these are businesses offering in-home care to elders and

people with disabilities, pet groomers, barbers and the like.

And contrary to the rhetoric from the \$15 wage movement, these businesses are not arms of corporations. Franchises have their own tax ID numbers and payroll — they are independent business units separate from the franchiser. Typical agreements offer franchises a brand, a business model, some marketing and bulk buying power. In exchange, franchises pay about 4 to 7

percent of their gross profits back to the franchiser.

If the proposal passes as is, Seattle's definition of a franchise would put it at odds with state and federal law. It effectively discriminates against a business model — franchises — by giving non-franchises a slower phase-in.

“What's happening in Seattle is unprecedented,” said Gary Duvall, a Seattle business attorney who represents franchises. He said franchises would “absolutely” sue Seattle if the definition of franchises remains as proposed, and the lawsuit, based on precedent elsewhere, is “very likely” to be successful.

The politics of this decision is clear. Seattle is the first city to move swiftly toward a \$15 minimum wage, but not the last. National labor activists will export the model created here. Treating franchises as what they are — small businesses — would eliminate the opportunity to burn Thompson in rhetorical effigy elsewhere.

City Council members, and the mayor, should stop allowing themselves to be so willingly manipulated by activists, should head-off an inevitable lawsuit and should adopt some rationality. The council should strike the definition of franchises.

Editorial board members are editorial page editor Kate Riley, Frank A. Blethen, Ryan Blethen, Sharon Pian Chan, Lance Dickie, Jonathan Martin, Erik Smith, Thanh Tan, William K. Blethen (emeritus) and Robert C. Blethen (emeritus).



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Exhibit 10

From: Nick Hanauer <nick@secondave.com>
Sent: Saturday, May 31, 2014 4:54 PM
To: Rasmussen, Tom; Clark, Sally; 'Sally Bagshaw'; Harrell, Bruce; Sawant, Kshama; O'Brien, Mike; Godden, Jean; Tim Burgess; Licata, Nick
Cc: David Rolf; Surratt, Brian K.; Feldstein, Robert
Subject: Franchises and the Seattle Times

Council Members,

The Seattle Times is running an editorial arguing that franchises are the same as local small businesses and that they should be treated as such under the new \$15 proposal.

This is as ridiculous as arguing that a platoon of United States Navy Seals is the same as a platoon of barefoot soldiers from the Congo. There may be the same number of people involved on both sides, but clearly one side has benefitted from scale in a way that gives them a massive and unfair advantage. It is possible the guys from the Congo could win in a conflict, but the chances of that approaches zero.

In the same way, franchises dominate their niches, not because they are intrinsically better, but mostly because they benefit massively from the scale of their parent operations. Cheaper ingredients. Cheaper equipment. Better lease terms. Better training. Better and more advertising. Well known brand. etc, etc, etc.

There is nothing illegal about this. But it is ludicrous for a business that benefits hugely from size and scale to claim they are the same as a small locally owned business and should be treated the same. It is untrue and dishonest.

Remember that the core of the issue here is what kind of economy we want and deserve in our city. The issue extends well past wages to the implication that wages have on the fundamental nature of our economy. Our goal should be to make Seattle better, in every way.

The hard truth is, that these national franchises like McDonalds, or Burger King or KFC, or Subway, simply are not that beneficial to our city. First, these organizations are consistently at the low end of the scale in terms of paying decently and offering benefits. Not all small, locally owned companies take great care of their workers, but none of the national chains do. It turns out to be far easier to treat workers poorly if you do not know them, and these giant profitable corporations have found ways to optimize their business models around paying poverty wages and avoiding benefits. You can call this "the market" or you can call this "not giving a shit about your people". But the result is the same.

There is no law of the universe that says that we should optimize our economy for giant chains that suck profit out of our city, offer no civic benefit to the community, and dilute the cultural richness of our neighborhoods too. If you think that is harsh, please tell me the last time you emailed friends about the addition of one of these companies to your neighborhood.

I have nothing against these companies. They have a right to operate. But our city has no obligation to continue policies that so obviously advantage them and disadvantage the local businesses that benefit our city and it's

citizens more. Markets are man made constructs. People who defend the current arrangements are usually advantaged by them. Don't be persuaded otherwise.

Exhibit 11

Honorable Richard A. Jones

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**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE**

<hr/>		
INTERNATIONAL FRANCHISE ASSOCIATION, INC., <i>et al.</i> ,)	
)	
<i>Plaintiffs,</i>)	No. C14-848RAJ
v.)	TRANSCRIPT
)	
CITY OF SEATTLE, <i>et al.</i> ,)	
)	
<i>Defendants.</i>)	
<hr/>		

The following is a statement of Kshama Sawant, Member of the Seattle City Council, at the Council’s public hearing on May 22, 2014. The video of the hearing is available at <http://www.seattlechannel.org/videos/video.asp?ID=2161440>. Councilmember Sawant’s statement begins at 92:33 and ends at 96:22.

TRANSCRIPT

“Thank you, Councilmember Clark. So, I think we started this by starting to talk about the point that Dan and Patricia included about microbusinesses and then, you know, we’re talking about franchisees obviously, so it’s related, but then firstly on the timeline phase-in for

SAWANT TRANSCRIPT
(C14-848RAJ)

BANCROFT PLLC
1919 M Street, NW, Suite 470
Washington, DC 20036
(202) 234-0090

1 microbusinesses. I think the microbusinesses, especially the microbusinesses of color that the
2 API Chaya representative talked about, are the very businesses that did not really get a seat at the
3 table. And they are the ones who depend not only on a slightly longer phase-in, but they are also
4 situated in neighborhoods where they don't succeed because the people, the customer base that
5 they have, don't have much money to spend, so it's a double-edged sword. So we have to
6 remember that if we are trying to help these businesses, having a phase-in that is longer than
7 what is already there in the draft, which is 11 years, is just not a recipe for success. If we are
8 trying to propose creating a micro-employer category, then it should be on the basis that
9 whatever longest we have, that applies to the microbusinesses and the other, larger businesses go
10 quicker, not that we make a longer phase-in. The phase-in is already too long. And as far as the
11 definition, Councilmember Rasmussen's question is, you know, well taken, you know, how did
12 that come about? Obviously that was the result of what was acceptable to the two sides on the
13 IIAC, you know, the subcommittee that finally discuss it, but I think the fact that basically we
14 have 250 employees is a guideline. 500 is a very, very high bar—or low bar—depending on
15 whether you are labor or business, for defining a small business. I can tell you I haven't met a
16 single worker, and in fact I have met several businesses, who don't think 500 employees is any
17 kind of base line for small businesses. Small businesses, when people think about small
18 businesses, they are much smaller businesses, so I think it is already quite high. The last point
19 I'll make is, you know, as far as microbusinesses are concerned, I think we, the city needs to
20 look at other comprehensive legislation to help them out, especially improving the economics of
21 the south end and so on.

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31 SAWANT TRANSCRIPT
32 (C14-848RAJ)

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1 “The last thing is on franchisees. I have a really good, informative handout that is was
2 put together by Good Jobs Seattle, and thank you for doing that. And this does not have
3 information on Subway, but it is a guideline for us. It’s important, before we get lost into this
4 false idea that franchisees are somehow struggling businesses, we should look at the evidence
5 here, which compiles McDonald’s, Burger King, and Wendy’s owners in Seattle. Just a couple
6 of points I’ll pull out—you know, we’ll put this up on our website again. Just six companies
7 own every franchised big burger chain outlet in Seattle, and those six companies own a total of
8 236 locations all across the country. These are not small businesses. And a McDonald’s
9 franchisee requirement is \$750,000 of personal wealth, not borrowed money, and \$45,000
10 franchisee fee, 40% of the total cost to open a new restaurant must be paid in cash. Now, yes it’s
11 true that the McDonalds headquarters, corporate headquarters, takes away the lion’s share of the
12 profits, but in order to be a franchisee, you have to be very, very wealthy. Just a small business
13 person of color from Rainier Beach is not going to be able to afford to open a franchise outlet.
14
15 “And lastly, I will say that we are here thanks to fast food workers who fought all over the
16 country. If we start making this loophole, where fast food and you know franchisees are going to
17 be considered as small businesses, we’re going to be selling out the very people who fought for
18 this and brought us here.”
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31 SAWANT TRANSCRIPT
32 (C14-848RAJ)

BANCROFT PLLC
1919 M Street, NW, Suite 470
Washington, DC 20036
(202) 234-0090

Exhibit 12



KSHAMA SAWANT

Position 2

- [Home](#)
- [Kshama's Council Home Page](#)
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[Stand strong against corporate loopholes](#)

It is truly historic that Seattle is getting close to a \$15/hour legislation – a testament to the success that can be achieved through working class fightback.

During yesterday's Select Committee on Minimum Wage, the Seattle City Council began discussing in detail the draft legislation and potential amendments. ([Click here](#) to watch the full meeting.)

Earlier this month, [I wrote to explain some of my concerns with the draft](#). Unfortunately, since it was introduced, big business has been using council negotiations to erode the draft proposal even further, with discussion focusing around franchises, training wages and tip credit. Below are some of the resources that I have distributed to other Councilmembers to encourage an informed discussion on these important issues.

Franchises are not small businesses

The International Franchise Association (IFA) recently wrote Councilmembers to lament the fact that \$15/hr would “destroy the established franchise model.” At hearings, specific franchises like Subway have rolled out owners in an attempt to present the model as small and family owned. This is a deliberate campaign of misinformation. As I mentioned during the meeting, a Good Jobs Seattle study has demonstrated the fact that [Seattle franchises are not small businesses](#) (PDF).

Franchise owners are not people of limited means, and their workers [face very different circumstances](#) (PDF). Fast-food workers are systematically underemployed, working only 24 hours a week on national average. Even here in Seattle, “a 24-hour-a-week worker making the Seattle median fast-food wage of \$9.50 would earn only \$11,856 in a year.” These employees are denied regular schedules and have to work second and sometimes even third jobs to make due. It's clear that the current franchise model is rigged against workers.

Working Washington's new study, “[Franchisors and the Fast Food Industry](#)” (PDF), explains in further detail how the franchise system systematically undermines workers for the benefit of those at the top. This is a crisis which affects us all. Demos has produced a study, “[Fast Food Failure](#)” (PDF), which explores how inequity in the fast food sector undermines the economy

itself.

There is no such thing as a just training wage

With training wages being introduced as a possible part of the minimum wage legislation, I think it is important to understand the arguments being put forward.

The National Employment Law Project (NELP) explains the lies which are used to justify a “Training Wage” loophole. Simply stated, raising the minimum wage does not cost teen jobs, and a training wage incentives employers to operate on a model of higher turnover. Check out [this document](#) (PDF) for more background.

Who are Seattle’s Tipped Workers?

Puget Sound Sage recently asked, “[Who are Seattle’s Tipped Workers?](#)” (PDF). I encourage you to find out, and then read “[A Woman’s case for rejecting a ‘Tip Credit’](#)” by Anh Tran, my former campaign staff member.

Moving forward

As we all know, the fight for a strong \$15/hour minimum wage in Seattle is not over. Every day, business continues to lobby to add training wages, to include a permanent tip credit and to extend the phase-in even further. We need you to continue to organize, mobilize and let Councilmembers know that if they fail to produce a strong \$15 for workers, you will make sure that we get one by other means.

The Council could start voting on amendments as early as the next meeting. It will take place at 9:30am on Thursday, 5/29, in the Council chambers. Please come early and sign up to speak about how these loopholes will hurt the community.



Posted: May 23rd, 2014 under [Minimum Wage](#), [Weekly Update](#)

Tags: [Minimum Wage](#)

• Categories

-  [Anti-Racism \(RSS\)](#)
-  [Campaign Finance \(RSS\)](#)
-  [CEO Pay \(RSS\)](#)
-  [Environment \(RSS\)](#)
-  [Immigrant Rights \(RSS\)](#)
-  [Income Inequality \(RSS\)](#)
-  [Minimum Wage \(RSS\)](#)
-  [Police \(RSS\)](#)
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-  [Uncategorized \(RSS\)](#)
-  [Weekly Update \(RSS\)](#)
-  [Workers Solidarity \(RSS\)](#)

-

• Recent Posts

Exhibit 13

- [Introduction and Referral](#)
- [City Council Agendas](#)
- [City Council Minutes](#)
- [Council Rules](#)
- [Budget Process](#)



Seattle City Council Minutes

Information retrieved July 31, 2014 4:24 PM

Journal of the Proceedings of the Seattle City Council Monday, June 2, 2014

A. CALL TO ORDER

The City Council of The City of Seattle met in the Council Chamber in City Hall in Seattle, Washington, on Monday, June 2, 2014, pursuant to the provisions of the City Charter. The meeting was called to order at 2:00 p.m., with Council President Burgess presiding.

B. ROLL CALL

On roll call the following members were: Present: Bagshaw, Burgess, Clark, Godden, Harrell, Licata, O'Brien, Sawant - 8
Absent: Rasmussen (late arrival) - 1.

C. INTRODUCTION AND REFERRAL CALENDAR

Motion was made, duly seconded and carried, to adopt the proposed Introduction and Referral Calendar.

COUNCIL BILLS:

BY LICATA:

Council Bill No. 118109, Appropriating money to pay certain audited claims and ordering the payment thereof.

Referred to Full Council.

Council Bill No. 118110, Relating to a lease agreement for office space; authorizing the Director of Finance and Administrative Services to enter into a lease agreement with 720 3rd Avenue Partners, L.L.C. for office space in the Pacific Building, for use by the Office of Professional Accountability; amending Ordinance 124349 that adopted the 2014 Budget to increase appropriations to provide for necessary costs and expenses related to preparing the leased premises for City use and occupancy; and ratifying and confirming certain prior acts; all by a three-fourths vote of the City Council.

Referred to Finance and Culture Committee.

BY O'BRIEN:

Council Bill No. 118111, Relating to land use and zoning, amending the Official Land Use Map at pages 133 and 145 to rezone land in the North Rainier Hub Urban Village and expand the boundaries of the Mount Baker Station Area Overlay District; and amending Sections 23.48.004, 23.48.009, 23.48.011, 23.48.012, 23.48.014, 23.48.024, 23.48.032, 23.48.034, 23.58A.040, and 23.84A.048 and adding a new section 23.61.018 to describe bonus provisions for additional floor area within the Mount Baker Station Area Overlay District, implement standards for a Mount Baker Overlay District Special Standards Area, modify maximum parking limit requirements, change the definition of "Zone, residential" to include SM\R, and modify and add maps for Chapter 23.48.

Referred to Planning, Land Use, and Sustainability Committee.

BY RASMUSSEN:

Council Bill No. 118112, Related to the Seattle Department of Transportation; lifting a budget proviso imposed on Transportation Operating Fund, Budget Control Level: Mobility- Capital, for the Pay Station Capital Improvement Project (TC366350) as provided in Ordinance 124349, which adopted the 2014 Budget.

Referred to Transportation Committee.

Council Bill No. 118113, Granting Puget Sound Bike Share, d.b.a. Pronto! Emerald City Cycle Share, permission to install, maintain, and operate a bike-share program in public places located within: Major Institution Overlay Districts, designated Urban Centers, Urban Villages, and all commercially- or industrially-zoned areas in the City of Seattle; for a ten- year term, renewable for two successive ten-year terms; specifying the conditions under which this permit is granted; and providing for the acceptance of the permit and conditions.

Referred to Transportation Committee.

BY BURGESS; CO-SPONSORS: BAGSHAW, GODDEN, HARRELL, RASMUSSEN, SAWANT:

Council Bill No. 118114, Relating to funding and providing preschool services for Seattle children; requesting that a special election be held concurrent with the November 4, 2014 general election for submission to the qualified electors of the City of a proposition to lift the limit on regular property taxes under Chapter 84.55 RCW and authorize the City to levy additional taxes for up to four years for the purpose of providing accessible high-quality preschool services for Seattle children designed to improve their readiness for school and to support their subsequent academic achievement; adopting the Seattle Preschool Program Action Plan; requiring the adoption of an Implementation Plan by the City Council; authorizing creation of a new subfund; directing the application of levy proceeds; establishing eligibility requirements for providers; creating an oversight committee; authorizing implementing agreements for this levy lid lift commonly known as the Seattle Preschool Program Levy; providing for the facilitation of communication between the City and affected groups; providing for a partnership agreement with Seattle School District No. 1; requiring annual progress reports; proposing a ballot title; and ratifying and confirming certain prior acts.

Referred to Committee on Preschool for All Committee.

BY BURGESS:

Council Bill No. 118115, Relating to City employment, to be known as the 2014 Seattle City Light General Manager/Chief Executive Officer Pay Zone Ordinance; adjusting the pay zone structure for the City's SCL GM/CEO Compensation Program for the year 2014.

Referred to Education and Governance Committee.

Council Bill No. 118116, Relating to City employment; establishing a compensation program for the Seattle Police Chief; specifying provisions for the administration of said compensation program; providing for reimbursement of relocation expenses for the 2014 Seattle Police Chief appointee; authorizing a severance agreement with the 2014 Seattle Police Chief appointee; and ratifying and confirming prior acts.

Referred to Education and Governance Committee.

BY RASMUSSEN:

Council Bill No. 118117, Relating to the construction of a new Fire Station 32; transferring jurisdiction of a portion of Lots 1 through 4, Block 1, Norris' Addition to West Seattle from the Department of Finance and Administrative Services to the Seattle Department of Transportation and dedicating the property for alley purposes; and laying off, opening, widening, extending, and establishing the transferred property as street right of way.

Referred to Transportation Committee.

BY SAWANT:

Council Bill No. 118118, Relating to the City Light Department, authorizing the acceptance of the Statutory Warranty Deed for the "Guse Property" in Skagit County, Washington, placing said land under the jurisdiction of the City Light Department, and ratifying and confirming certain prior acts.

Referred to Energy Committee.

RESOLUTIONS:

BY LICATA:

Resolution No. 31525, Adopting revised investment policies for the City of Seattle and superseding Resolution 30346.

Referred to Finance and Culture Committee.

BY RASMUSSEN:

Resolution No. 31526, Relating to the Center City Connector; adopting the Center City Connector Transit Study Locally Preferred Alternative (LPA); and endorsing efforts to pursue federal funding for the Center City Connector project.

Referred to Transportation Committee.

BY BURGESS; CO-SPONSORS: BAGSHAW, GODDEN, HARRELL, RASMUSSEN, SAWANT:

Resolution No. 31527, Relating to the Seattle Preschool Program; outlining the elements to be addressed in a subsequent Seattle Preschool Program Implementation Plan, which shall be adopted by ordinance prior to the implementation of a Seattle Preschool Program.

Referred to Committee on Preschool for All Committee.

CLERK FILES:

BY LICATA:

Clerk File No. 313819, Reappointment of DeVon Manier as member, Seattle Music Commission, for a term of confirmation to May 1, 2016.

Referred to Finance and Culture Committee.

Clerk File No. 313820, Reappointment of Jon Stone as member, Seattle Music Commission, for a term of confirmation to May 1, 2016.

Referred to Finance and Culture Committee.

Clerk File No. 313821, Reappointment of Holly Hinton as member, Seattle Music Commission, for a term of confirmation to May 1, 2016.

Referred to Finance and Culture Committee.

Clerk File No. 313822, Reappointment of Ben London as member, Seattle Music Commission, for a term of confirmation to May 1, 2016.

Referred to Finance and Culture Committee.

Clerk File No. 313823, Appointment of Patricia Isacson Sabee as member, Seattle Music Commission, for a term of confirmation to June 5, 2017.

Referred to Finance and Culture Committee.

BY HARRELL:

Clerk File No. 313824, Appointment and Oath of Office of Kathleen O'Toole as Seattle Police Chief.

Referred to Public Safety, Civil Rights, and Technology Committee.

Clerk File No. 313826, Appointment of Jason Johanson as member, Seattle Fire Code Advisory Board, for a term of confirmation to May 27, 2017.

Referred to Public Safety, Civil Rights, and Technology Committee.

Clerk File No. 313827, Appointment of Scott Peterson as member, Seattle Fire Code Advisory Board, for a term of confirmation to May 27, 2017.

Referred to Public Safety, Civil Rights, and Technology Committee.

D. APPROVAL OF AGENDA

Motion was made, duly seconded and carried, to adopt the proposed Agenda.

E. PRESENTATIONS

Councilmember Rasmussen entered the Council Chamber at 2:02 p.m.

Councilmember Clark presented a Proclamation declaring the month of June 2013 as Lesbian, Gay, Bisexual, and Transgender Pride Month. By unanimous consent, the Council Rules were suspended to allow Councilmember Clark to present the Proclamation and to allow Eric Bennett, President of Seattle Pride, to address the Council.

Councilmember Clark presented a Proclamation recognizing Equal Rights Washington for the Council to sign in session.

F. APPROVAL OF THE JOURNAL

The Journal of the Proceedings of the Seattle City Council meeting of April 21, 2014, was presented to the Chair for approval. By unanimous consent, the Journal was approved and signed.

G. PUBLIC COMMENT

Dave Schmitz addressed the Council regarding Agenda item 1, Council Bill No. 118098.

David Rolf addressed the Council regarding Agenda item 1, Council Bill No. 118098.

Rosa Maria Ramirez addressed the Council regarding Agenda item 1, Council Bill No. 118098.

Jesse Inman addressed the Council regarding Agenda item 1, Council Bill No. 118098.

Hannah Martinson addressed the Council regarding Agenda item 1, Council Bill No. 118098.

Ramy Khalil addressed the Council regarding Agenda item 1, Council Bill No. 118098.

Scott James addressed the Council regarding Agenda item 1, Council Bill No. 118098.

Rebecca Smith addressed the Council regarding Agenda item 1, Council Bill No. 118098.

Larkin Potts addressed the Council regarding Agenda item 1, Council Bill No. 118098.

Ubah Aden addressed the Council regarding Agenda item 1, Council Bill No. 118098.

Ivy Williams addressed the Council regarding Agenda item 1, Council Bill No. 118098.

H. PAYMENT OF BILLS, CLAIMS, AND SALARIES

Council Bill No. 118109, Appropriating money to pay certain audited claims and ordering the payment thereof.

Motion was made and duly seconded to pass Council Bill No. 118109.

The Motion carried and the Bill passed by the following roll call vote: In favor: Bagshaw, Burgess, Clark, Godden, Harrell, Licata, O'Brien, Rasmussen, Sawant - 9 Against: None. The President signed the Bill.

I. COMMITTEE REPORTS AND FINAL VOTE ON LEGISLATION

SELECT COMMITTEE ON MINIMUM WAGE AND INCOME INEQUALITY:

Agenda Item No. 1. - Council Bill No. 118098, Relating to employment in Seattle; adding a new Chapter 14.19 to the Seattle Municipal Code; establishing minimum wage and minimum compensation rates for employees performing work in Seattle; and prescribing remedies and enforcement procedures.

The Committee recommended that the Bill pass as amended.

ACTION 1:

Motion was made by Councilmember Licata and duly seconded, to amend Section 3 of Council Bill No. 118098, by deleting sections C and D of Seattle Municipal Code (SMC) 14.19.020.

~~C. The Director shall have the authority to issue a special certificate authorizing an employer to pay a wage less than the City of Seattle minimum wage, as defined in this Chapter, but above the Washington State minimum wage, as defined in RCW 49.46.020. Such special certificates shall only be available for the categories of workers defined in RCW 49.46.060 and shall be subject to such limitations as to time, number, proportion, and length of service as the Director shall prescribe. Prior to issuance, an applicant for a special certificate must secure a letter of~~

~~recommendation from the Washington State Department of Labor and Industries stating that the applicant has a demonstrated necessity pursuant to WAC 296-128.~~

~~D. The Director shall by rule establish the minimum wage for employees under the age of eighteen years, provided that any percentage of the hourly rate established by rule shall not be lower than the percentage applicable under state statutes and regulations.~~

The Motion failed by the following roll call vote:

In favor: Bagshaw, Licata, O'Brien, Sawant - 4

Against: Burgess, Clark, Godden, Harrell, Rasmussen - 5

ACTION 2:

Motion was made by Councilmember Sawant and duly seconded, to amend Council Bill No. 118098, by substituting "April" with "January" in SMC Sections 14.19.030.A, 14.19.040.A, and 14.19.050.A, as shown in the strike through and underscored language below:

SMC 14.19.030 Hourly Minimum Wage -- Schedule 1 Employers

A. Effective ~~April~~January 1, 2015, Schedule 1 employers shall pay each employee an hourly minimum wage of at least \$11.00.

SMC 14.19.040 Hourly Minimum Wage -- Schedule 2 Employers

A. Effective ~~April~~January 1, 2015, Schedule 2 employers shall pay each employee an hourly minimum wage of at least \$10.00.

SMC 14.19.050 Hourly Minimum Compensation -- Schedule 2 Employers

A. Effective ~~April~~January 1, 2015, Schedule 2 employers shall pay each employee an hourly minimum compensation of at least \$11.00.

The Motion failed by the following roll call vote:

In favor: Harrell, Licata, O'Brien, Sawant - 4

Against: Bagshaw, Burgess, Clark, Godden, Rasmussen - 5

ACTION 3:

Motion was made by Councilmember Sawant and duly seconded, to amend Council Bill No. 118098 by substituting SMC 14.19.030, Section A, and by deleting the last sentence in Section B of SMC 14.19.030, as shown below:

SMC 14.19.030, Section A:

"A. Effective January 1, 2015, Schedule 1 employers shall pay each employee an hourly minimum wage of at least 15.00. Effective January 1, 2016, the hourly minimum wage paid by a Schedule 1 employer to any employee shall be increased annually on a percentage basis to reflect the rate of inflation and calculated to the nearest cent on January 1 of each year thereafter;"

SMC 14.90.030, Section B:

"B. Schedule 1 employers can meet the applicable hourly minimum wage requirement through a payment of the minimum wage, provided that the Schedule 1 employer is in compliance with all applicable law. Where an employee is paid on a commission or piece-rate basis, wholly or partially, the amount earned on such basis in each work-week period may be credited as a part of the total wage for that period, and the total wages paid for such period shall be computed on the hours worked in that period resulting in no less than the applicable minimum wage rate. Where an employee is paid a bonus, the amount of the bonus in each work-week period may be credited as a part of the total wage for that period, and the total wages paid for such period shall be computed on the hours worked in that period resulting in no less than the applicable minimum wage rate. Pursuant to the following schedule, effective January 1, 2016, Schedule 1 employers that pay toward an individual employee's medical benefits plan shall pay the employee an hourly minimum wage as follows:

Year	Hourly Minimum Wage

2016	\$12.50
2017	\$13.50
2018	\$15.00

Effective January 1, 2019, payment by the employer of health benefits for employees shall no longer affect the hourly minimum wage paid by a Schedule 1 employer."

The Motion failed by the following roll call vote:

In favor: Sawant - 1

Against: Bagshaw, Burgess, Clark, Godden, Harrell, Licata, O'Brien, Rasmussen -- 8

ACTION 4:

Motion was made by Councilmember Sawant and duly seconded, to amend Council Bill No. 118098, Section 2, SMC 14.19.010.P, definition of "Minimum compensation", by deleting "in addition to tips" before the language "actually received."

The Motion failed by the following roll call vote:

In favor: Sawant Against: Bagshaw, Burgess, Clark, Godden, Harrell, Licata, O'Brien, Rasmussen - 8

ACTION 5:

Motion was made and duly seconded to pass Council Bill No. 118098.

The Motion carried and the Bill passed by the following roll call vote:

In favor: Bagshaw, Burgess, Clark, Godden, Harrell, Licata, O'Brien, Rasmussen, Sawant - 9

Against: None.

The President signed the Bill.

Agenda Item No. 2. - Resolution No. 31524, Requesting that the Department of Finance and Administrative Services work with the City Council and other appropriate City departments and stakeholders to strengthen implementation of any local minimum wage ordinance.

The Committee recommended that the Resolution be adopted as amended.

ACTION 1:

Motion was made by Councilmember Sawant, duly seconded and carried, to amend Resolution No. 31524, by substituting version 6 for version 5.

ACTION 2:

Motion was made and duly seconded to adopt Resolution No. 31524 as amended.

The Motion carried and the Resolution as amended was adopted by the following voice vote:

In favor: Bagshaw, Burgess, Clark, Godden, Harrell, Licata, O'Brien, Rasmussen, Sawant - 9

Against: None.

The President signed the Resolution.

Council President Burgess requested that the Council be at ease at 3:40 p.m. to allow members of the public to exit the Council Chamber.

The Council came back to order at 3:42 p.m.

FINANCE AND CULTURE COMMITTEE:

Agenda Item No. 3. - Council Bill No. 118094, Relating to the 2014 Budget; amending Ordinance 124349, which adopted the 2014 Budget, including the 2014-2019 Capital Improvement Program (CIP); changing appropriations to

various departments and budget control levels, and from various funds in the Budget; adding new projects; revising project allocations for certain projects in the 2014-2019 CIP; creating positions; modifying positions; lifting a proviso; and ratifying and confirming certain prior acts; all by a 3/4 vote of the City Council.

The Committee recommended that the Bill pass as amended.

The Bill passed by the following roll call vote:

In favor: Bagshaw, Burgess, Clark, Godden, Harrell, Licata, O'Brien, Rasmussen, Sawant - 9

Against: None.

The President signed the Bill.

Agenda Item No. 4. - Resolution No. 31522, Of intention to modify the assessment rates and modify the boundaries for the West Seattle Junction Parking and Business Improvement Area.

The Committee recommended that the Resolution be adopted.

The Resolution was adopted by the following voice vote:

In favor: Bagshaw, Burgess, Clark, Godden, Harrell, Licata, O'Brien, Rasmussen, Sawant - 9

Against: None.

The President signed the Resolution.

PARKS, SEATTLE CENTER, LIBRARIES, AND GENDER PAY EQUITY COMMITTEE:

Agenda Item No. 5. - Council Bill No. 118066, Relating to the Department of Parks and Recreation and Seattle Public Utilities; transferring partial jurisdiction of a portion of Seward Park, located beneath and adjacent to the tennis courts and adjacent parking lot, from the Department of Parks and Recreation to Seattle Public Utilities for maintenance, repair and operation of a combined sewer underground storage tank, associated underground pipes and electrical lines, and limited surface ancillary facilities; and superseding certain requirements of Ordinance 118477, which adopted Initiative 42.

The Committee recommended passage of the Bill.

The Bill passed by the following roll call vote:

In favor: Bagshaw, Burgess, Clark, Godden, Licata, O'Brien, Rasmussen, Sawant - 8

Against: Harrell -- 1.

The President signed the Bill.

Councilmember Sawant exited the Council Chamber at 3:59 p.m.

Agenda Item No. 6. - Clerk File No. 313666, Council Concept Approval to allow the replacement and expansion of a utility service use (Seattle Public Utilities storm water facility) located at 5895 Lake Washington Boulevard S (Project No. 3015640, Type V).

The Committee recommended that the Petition be granted as conditioned.

The Petition was granted as conditioned by the following voice vote:

In favor: Bagshaw, Burgess, Clark, Godden, Harrell, Licata, O'Brien, Rasmussen - 7

Against: Harrell -- 1

Absent: Sawant -- 1.

The President signed the Findings, Conclusions, and Decision of the Council.

J. ADOPTION OF OTHER RESOLUTIONS

There were none.

K. OTHER BUSINESS

There was none.

L. ADJOURNMENT

There being no further business to come before the Council, the meeting was adjourned at 4:01 p.m.

Emilia M. Sanchez, Deputy City Clerk

Signed by me in Open Session, upon approval of the Council, on June 30, 2014.

Tim Burgess, President of the City Council

Monica Martinez Simmons, City Clerk



Exhibit 14



IFA to File Lawsuit Against Unfair and Discriminatory Seattle Minimum Wage Plan

Contact:

Matthew Haller, IFA, 202-460-8356

Jenna Weisbord, IFA, 202-662-0766

Ashley Bach, Pacific Public Affairs, 206-579-2414

mhaller@franchise.org

jweisbord@franchise.org

WASHINGTON, June 2-The International Franchise Association President & CEO Steve Caldeira, CFE, released the statement below following the passage of Seattle Mayor Ed Murray and the Seattle City Council's plan to raise the minimum wage to \$15 an hour.

"The Seattle City Council and Mayor Murray's plan would force the 600 franchisees in Seattle, which own 1,700 franchise locations employing 19,000 workers, to adopt the full \$15 minimum wage in 3 years, while most other small business owners would have seven years to adopt the \$15 wage. These hundreds of franchise small business owners are being punished simply because they chose to operate as franchisees. Decades of legal precedent have held that franchise businesses are independently-owned businesses and are not operated by the brand's corporate headquarters.

"The City Council's action today is unfair, discriminatory and a deliberate attempt to achieve a political agenda at the expense of small franchise business owners. By picking winners and losers among Seattle businesses, this policy flies in the face of all legal precedent and defies common sense.

"IFA has no choice but to file a legal challenge against the city of Seattle for this action. The suit will seek to overturn the unfair and discriminatory minimum wage plan that was approved by the City Council. IFA will fight to preserve the tenets of the franchise model, which has helped hundreds of thousands of people enjoy business ownership and created economic opportunity for many."

###

About the International Franchise Association

The International Franchise Association is the world's oldest and largest organization representing franchising worldwide. Celebrating over 50 years of excellence, education and advocacy, IFA works through its government relations and public policy, media relations and educational programs to protect, enhance and promote franchising.

Through its media awareness campaign highlighting the theme, Franchising: Building Local Businesses, One Opportunity at a Time, IFA promotes the economic impact of the more than 825,000 franchise establishments, which support nearly 18 million jobs and \$2.1 trillion of economic output for the U.S. economy. IFA members include franchise companies in over 300 different business format categories, individual franchisees and companies that support the industry in marketing, law and business development.

Exhibit 15

Search Twitter



CM Kshama Sawant

@cmkshama



+ Follow

Franchise owners: enough with the blame game! Organize, go to CorpHQ & renegotiate your rents. You can **#RaiseTheWage!** goo.gl/GXxWfH

Reply Retweet Favorite More



Reuters Top News



I'm making \$21 an hour at McDonald's. Why aren't you?

Under our union's agreement with McDonald's, I receive paid sick leave.

[View on web](#)

RETWEETS

20

FAVORITES

13



2:37 PM - 3 Jun 2014

Flag media

Exhibit 16



OFFICE OF THE MAYOR

City of Seattle
MAYOR ED MURRAY

- HOME
- MY VISION FOR SEATTLE
- NEWSROOM
- GET HELP
- GET INVOLVED

MAYOR MURRAY STATEMENT ON INTERNATIONAL FRANCHISE ASSOCIATION LAWSUIT

WELCOME!

Our blog will provide you the latest news from the Office of Seattle Mayor Ed Murray. If you have ideas or suggestions for what kind of content you'd like to see here, please let us know by emailing [Laura Gentry](#), Digital Content Manager.

TRANSLATE THIS PAGE

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MAYOR MURRAY ON TWITTER

June 11, 2014 by [Office of Mayor Murray](#)

Mayor Murray made the following statement today about a lawsuit filed by the International Franchise Association:

“The movement around wage equality in our nation began with fast food workers walking off the job. I believe we have to recognize that’s where this started. That was the straw that broke wage disparity’s back in this nation.

Franchises have resources that a small business in the Rainier Valley or a small sandwich shop on Capitol Hill do not have. Franchise restaurants have menus that are developed by a corporate national entity, a food supply and products that are provided by a corporate national entity, training provided by a corporate national entity, and advertising provided by a corporate national entity. They are not the same as a local sandwich shop that opens up or a new local restaurant that opens up in the city. Our process for reaching \$15 an hour in Seattle recognizes that difference.

There is a problem in the franchise business model and I believe this is a discussion franchise owners should be having with their corporate parents. I don’t believe that the economic strain comes from a fairly slow phase in of a higher minimum wage, but on a business model that really does — in many cases — harm franchise owners. I don’t doubt at all that franchise workers are operating under tight conditions, but I think it’s a conversation to have with the people who have decided to spend oodles of money on lawyers to fight a higher minimum wage.”

Filed Under: [\\$15 Minimum Wage](#), [An Affordable City Economy](#), [Murray](#)

Exhibit 17

Honorable Richard A. Jones

**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE**

INTERNATIONAL FRANCHISE ASSOCIATION, INC., <i>et al.</i> ,)	
)	
<i>Plaintiffs,</i>)	No. C14-848RAJ
v.)	TRANSCRIPT
)	
CITY OF SEATTLE, <i>et al.</i> ,)	
)	
<i>Defendants.</i>)	

The following is a transcript of MSNBC’s June 16, 2014 broadcast of “The Reid Report,” hosted by Joy Reid. A video of the broadcast is available at <http://www.msnbc.com/the-reid-report/watch/will-15-become-the-new-minimum-wage-282384963899>.

TRANSCRIPT

JOY REID: \$7.25 an hour. That’s the federal minimum wage that millions of American workers live on. President Obama and Democrats in Congress have pushed to change that with the argument being that giving minimum wage earners more income would give 28 million workers in all, in all types of households, increased spending power. It’s an argument the U.S.

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1 Department of Labor has tried to make directly to businesses in videos like this one detailing the
2 sacrifices that low-income workers often are forced to make.

3 RETAIL WORKER: Half my money goes to rent and I'm diabetic so the next big chunk
4 of my money goes to medicine. And then there's food and transportation. And then I have
5 nothing left. That's it.

6 RESTAURANT SERVER: It's incredibly hard. I live with my parents right now
7 because otherwise my son and I would be homeless.

8 REID: Now, despite those efforts, the push to raise the minimum wage at the federal
9 level is stalled. But from California to Washington State, that is not the case. So far 22 states
10 have increased their minimum wage above the federal level. And the City of Seattle is taking the
11 push to raise the wage even further. Earlier this month Seattle passed a law to increase the
12 hourly minimum wage to \$15 an hour and to phase it in over several years. Once it's fully
13 phased in, Seattle will have the highest minimum wage in the nation. But, echoing many fiscal
14 conservatives who oppose raising the federal minimum wage, a group of Seattle franchise
15 owners has filed a lawsuit to stop Seattle's wage increase from going into effect. And their
16 argument is a novel one. They claim that raising the minimum wage violates their constitutional
17 rights. Joining me now to discuss this is Mayor Ed Murray of Seattle, who successfully led the
18 effort to make \$15 an hour the highest minimum wage in the country, in his city. Mayor, Mr.
19 Mayor, thank you for being here. And I want to start by asking you how you actually managed
20 to get this through. This was actually a unanimous city council vote. What argument did you
21 make in pushing for this wage increase?
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1 MAYOR ED MURRAY: Well, you know, income inequality is a major issue in this
2 nation; it's destroying the middle class. And we felt that we needed to act if we wanted to start
3 rebuilding the middle class. But we wanted to do \$15 but we wanted to do it smart, so we
4 brought business people together with labor and with nonprofits, and we spent four months
5 negotiating the proposal as you see it. It gets to \$15, it gets there in seven years, it counts certain
6 types of compensation over a period of years towards wages and I think it was that compromise
7 the council was willing to vote unanimously to pass it.
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10 REID: So now talk a bit about of the opposition to what you're trying to do. You have
11 had these business groups get together and they've made sort of a constitutional argument that
12 has to do in part with if the businesses have to pay this minimum wage, they won't be able to
13 spend on other things such as advertising their business, growing their business, and other things.
14 What is sort of the argument against the wage and how are you guys fighting back against that in
15 court?
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18 MURRAY: So, you know—so business is not unanimous. There are businesses who are
19 supportive, there are businesses who are neutral, there are businesses who are not happy, and
20 those who actively oppose it. Those who are most actively opposing it are franchise businesses.
21 They say that they're just like the individual sandwich or restaurant. But they're not. The
22 individual sandwich shop or restaurant doesn't have a corporation design their menu, supply
23 their food, provide their training, and do their advertising. So we didn't believe that they should
24 be treated the same as a franchise. Actually, this whole minimum wage effort started because
25 folks walked out of fast-food restaurants, workers walked out of fast-food restaurants, so it's
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1 unfortunately they're focused on going to court. I think those franchise owners should focus on
2 the corporations and their business model, because I think their business model needs to get a
3 change, not our minimum wage proposal.
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5 REID: So let's talk about some of the other arguments. There are three sort of main
6 arguments that go to the question of whether businesses in Seattle can compete with businesses
7 from out of state. Let's walk through them really quickly. The folks who are fighting your
8 minimum wage increase say that by increasing the costs to franchisees associated with out-of-
9 state companies, the law discourages those companies from doing business in Seattle. They say
10 that violates the Commerce Clause of the Constitution, which reserves to Congress the right of
11 regulating interstate commerce. Their second argument is that by treating independently-owned
12 franchises differently from local companies, even though they are the same size, the law violates
13 the franchisee's right to equal treatment under the law. And then their third argument is that by
14 imposing these higher costs, it makes it difficult for out-of-state companies who own a franchise
15 to maintain the quality of their trademarks. So these sort of novel legal arguments that get to
16 various parts of the Constitution, and how are you fighting those?
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22 MURRAY: They are novel legal arguments but I don't think they'll hold up in the end.
23 Against, it's unfortunate, a lot of franchise owners in this city—there are not many franchises in
24 this city—but those that exist, they struggle, we understand that. We believe the problem is with
25 the corporate model and we believe that we can win the legal arguments. But the main thing to
26 focus on is we've gone through 34 years of one economic theory, and it has failed. The middle
27 class has eroded. So what we're saying is let's grow the middle class from the middle out. And
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1 we're actually helping the smallest businesses by phasing them in over a much longer period of
2 time. But you can't tell me that an individual restaurant owner in a small restaurant in the
3 Capitol Hill neighborhood of Seattle is the same as McDonald's. They're simply not, and I think
4 that the courts will recognize that.
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