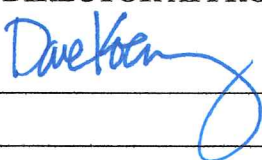


CITY OF MARYSVILLE AGENDA BILL

EXECUTIVE SUMMARY FOR ACTION

CITY COUNCIL MEETING DATE: April 4, 2016

AGENDA ITEM: Review of Business Licensing and Home Occupation Permit Fees	
PREPARED BY: Dave Koenig	DIRECTOR APPROVAL: 
DEPARTMENT: Community Development	
ATTACHMENTS: Background Information: Memorandum and Survey	
BUDGET CODE:	AMOUNT:
SUMMARY:	

Community Development staff was asked to look at the business licensing and home occupation permit fees. Currently, if you are opening a business in your home you are required to get both a business license and a home occupation permit and pay a separate fee for both totaling \$100.00. If you open a business in a commercial property then you need just the business license at a cost of \$50.00. The purpose of this Council item is to review the home occupation fee. Attached is a memorandum which provides information on business licensing and home occupation permits and fees with three options. Also attached is a survey of eleven Snohomish County communities.

The recommendation was developed based on the following:

- Keeping the business licensing process simple,
- Charging a fee for new businesses licenses which reflects the general cost of issuing the license.
- Staying close to revenue neutral.

The recommended option is to do away with the home occupation permit fee and to increase the new business license fee from \$50.00 to \$65.00. It is estimated that the basic cost of processing a business license is \$65.00. Home occupations would be paying \$65.00 instead of the \$100.00 for two fees.

In 2015, the City issued 191 home occupation permits which generated \$9,550.00 and issued 504 new business licenses which generated \$25,200.00. By charging \$65.00 for all business licenses there would be reduction in fee revenue of \$1,990.00 based on the 2015 numbers.

RECOMMENDED ACTION:

Staff recommends that Council direct staff to prepare the necessary documents to eliminate the home occupation permit fee and change the new business license fee to \$65.00



COMMUNITY DEVELOPMENT DEPARTMENT
80 Columbia Avenue ♦ Marysville, WA 98270
(360) 363-8100 ♦ (360) 651-5099 FAX

MEMORANDUM

Date: March 16, 2016
To: Gloria Hirashima, City Administrative Officer
From: Dave Koenig, Community Development Director
Re: Business Licensing and Home Occupation Application Fees

Staff was asked to explore and research fees charged to perspective and current business owners wishing to obtain a state and city business license and a home occupation permit, as well as proposed options.

Current Fees

Currently, applicants wishing to operate a business in Marysville are required to pay a combined fee of \$50.00 to the City of Marysville plus \$19.00 to the State of Washington through the Business Licensing Service (BLS). The City of Marysville works with BLS so businesses who apply on line can apply to one application location. Applications by mail need to fill out two separate applications. An applicant wishing to operate a business out of their home is required to obtain a home occupation permit in addition to a state and city business license. The city charges \$50 for review of the home occupation application (this is a one-time fee). The \$50 fee is in addition to the state and city business license fee, totaling \$119.00 in order to obtain a home occupation permit, a city business license and a state business license.

A \$40 annual renewal fee is charged to all business license holders. This fee is paid to the City (plus an \$11.00 BLS fee to the state for a total of \$51.00.) There is no additional renewal fee for a home occupation.

Comparison

There is a wide variation in business licensing fees and fee structures among other local jurisdictions. Fees range from \$25 on the low end, to in excess of \$600 on the high end, for the general licensing fee. Renewal fees vary greatly as well, ranging from \$25 to over \$300 annually. Jurisdictions that do not charge an additional fee for a home occupation generally charge more for the general business license application. Some jurisdictions have a general licensing fee similar to Marysville's, but additional fees are assessed based on number of employees (Bothell, Mill Creek, Lynnwood and Mukilteo), square

footage of the business (Bothell and Snohomish) and business and occupation taxes based on gross business receipts (Everett, Darrington, and Granite Falls).

Revenue

The City received 191 new home occupation applications in 2015. The \$50 home occupation application fee generated \$9,550.00 in revenue in 2015. Below are three alternative options for Council consideration. The options include eliminating the \$50 home occupation permit fee and increasing either the new business license application fee or the license renewal fee in order to re-coup some lost revenue. The calculations below are based on the 2015 business license and home occupation permits received.

CURRENT BUSINESS LICENSE AND HOME OCCUPATION REVENUE				
	New License Fee	Renewal Fee	Home Occ Fee	Total Revenue
Existing	\$50.00	\$40.00	\$50.00	
2015 Applications	504	1,439	191	
Total	\$25,200.00	\$57,560.00	\$9,550.00	\$92,310.00
OPTION 1 (No Charge for Home Occupation)				
	New License Fee	Renewal Fee	Home Occ Fee	Total Revenue
	\$50.00	\$40.00	\$0.00	
Total	\$25,200.00	\$57,560.00	\$0.00	\$82,760.00
OPTION 2 (\$50 Renewal Fee and No Charge for Home Occupation)				
	New License Fee	Renewal Fee	Home Occ Fee	Total Revenue
	\$50.00	\$50.00	\$0.00	
Total	\$25,200.00	\$71,950.00	\$0.00	\$97,150.00
OPTION 3 (\$65 License Fee, \$40 Renewal Fee and No Charge for Home Occupation)				
	New License Fee	Renewal Fee	Home Occ Fee	Total Revenue
	\$65.00	\$40.00	\$0.00	
Total	\$32,760.00	\$57,560.00	\$0.00	\$90,320.00

Staff Review

Business license applications are reviewed by a Program Specialist; Building Division; Fire Department; Planning Division; and Police Department.

Review time for applications can vary widely. Review time for a new business license application is the same whether it is accompanied by a home occupation permit or not. Renewals are not reviewed by the above listed departments. A change in address to an existing business license is treated as a new license application and reviewed as such.

Depending on whether a new business license application is a “simple” application or a “complex” application affects the amount of time needed for review. For a “simple” application requiring minimal review based on proposed business activities (i.e. office type uses requiring approximately 10 minutes of review per department) the cost of review for all departments is approximately \$65 for one application. Depending on the proposed business activities, an application may require more in depth review and one or more on-site inspections by the Building, Police, and/or Fire Departments and may cost approximately \$200 in staff time. Some extreme cases require 20-30 hours by each of the following: Building Division, Police Department and Program Specialist resulting in a cost of approximately \$2,100 for review of one new business license application. The time to review business applications varies do to missing information in the application, the need for site visits, change of use, additional requirements for uses like taxi drivers and massage parlors. Examples of home occupations which take longer time to review are day cares, adult family homes, and automotive repair.

Summary

Current business license applicants pay \$50.00 to the city and \$19.00 to the state for a new application and a \$40 annual renewal fee to the city and \$11.00 to the state. If an applicant wishes to operate the business out of their residence, there is an additional \$50 home occupation permit fee assessed at time of application.

In 2015, business license fees generated approximately \$92,000 in revenue. There are three options for Council consideration:

- Option one would simply eliminate the \$50 home occupation permit fee, resulting in a *decrease* in revenue of approximately \$9,550 based on 2015 permit numbers;
- Option two would eliminate the \$50 home occupation permit fee and increase the annual renewal fee from \$40 to \$50; resulting in an *increase* in revenue of approximately \$4,800 based on 2015 permit numbers; and
- Option three would eliminate the \$50 home occupation permit fee and increase the new license fee from \$50 to \$65; resulting in a *decrease* in revenue of approximately \$1,990 based on 2015 permit numbers.

Attachment: Survey of Eleven Snohomish County Cities.

LICENSING / HOME OCCUPATION COMPARISON BY CITY

CITY	LICENSING FEE	RENEWALS	HOME OCC FEE	B & O
Arlington	\$60 (July 1st to June 30th each year)	Annually / \$60	Same as regular business license fee & application	No
Comments				
Bothell	\$27 - \$660 (100 Employees) + \$9 for each employee over 100. Based on categories: "A" = # of employees; "B" = Business Type; "C" = Square Footage.	Annually the Licensing fee (June 30 th each year). Based on fee schedule (A, B, C calculations)	Same as General Business License of \$27 for two or less employees, plus annual fee of \$36	NO
Comments	Fees reassessed each year (i.e. change in number of employees or square footage amount = change in renewal fee). Home Occupations use same business license application.			
Edmonds	\$125 (Commercial Business)	Annually / \$60 for both commercial & home occupation	Initial application fee of \$100	No
Comments	Licenses run January 1 st – December 31 st ; late fees accrue after February 1 st			
Everett	\$75 (\$37.50 July 1 – Dec 31 st)	Annually / December 31 st / \$75	N/A	Yes
Comments	Complete Separate Home Occupation Permit			
Lake Stevens	\$40	\$25	N/A	No
Comments	Partnered with BLS / Complete Home Occupation Addendum			
Lynnwood	\$122.50 (First time fee + fee calculated by number of employees)	\$103 resident and \$166 non resident plus number of employees fee	\$122.50 initial fee / thereafter, \$30 per year	No
Comments	Home Occupation Supplemental Form & checklist. Annual per employee fees of \$48.50 less than 14 hours a week and \$88.50 for 15 hours or more each week.			
Mill Creek	\$25 - \$300 (Based on number of employees) + \$25* initial processing fee	\$25 - \$300 (Depending on number of employees)	\$50 with no outside employees; \$100 with one employee in the dwelling	No

LICENSING / HOME OCCUATION COMPARISON BY CITY

Comments	*\$25 is a one-time review fee for all businesses inside the city limits and is added to the calculated fee. Home Occupation fee is a one-time fee.			
Mountlake Terrace	\$100 - \$675	\$100 - \$675 - COLA increases affect renewal rate.	\$104 plus business license application fee (administrative review) + hourly, 4-hour minimum \$556 + actual cost of hearing examiner.	No
Comments	Home Occupation fee is a one-time fee plus costs of hearing examiner and staff			
Mukilteo	\$113.50 + FTE fees (\$0.0228 per hour per employee)	\$113.50 + FTE fees (\$0.0228 per hour per employee)	N/A	No
Comments	"Business License Application for Small Business" and for "Standard Business License Application" includes Home Occupation section. Former is for businesses with an annual gross income of less than \$5,000.			
Snohomish	\$25 minimum to \$425 / Based on Number of Employees; PBIA fee for businesses located in the Historic Business District = # of employees & square footage. (Non-resident: \$25 flat fee)	\$25 minimum to \$425 / Based on Number of Employees PBIA fee for businesses located in the Historic Business District = # of employees & square footage. (Non-resident: \$25 flat fee)	\$25 in addition to business license fee and business license fee.	No
Comments	Home Occupation fee is one-time fee			
Stanwood	\$50	\$50 Annually	\$50	No
Comments	Partnered with BLS			

BUSINESS LICENSE AND HOME OCCUPATION PERMIT FEES

Marysville City Council
April 4, 2016

Business License and Home Occupation Permit



- Currently a home occupation requires both a business license and a home occupation permit.
- The business license and the home occupation permit both have a \$50.00 fee.
- A home occupation permit review generally does not take more time than a business license review for most uses.

Business License and Home Occupation Permit

- Staff administratively simplified the home occupation permit application and web site.
- The home occupation application helps to communicate the requirements of a home occupation.
- Marysville works with the State of Washington so businesses who use the on line application for a business license have one form for state and city licenses.
- Reviewed what other communities do related to business licenses and home occupation permits.

Business License and Home Occupation Permit

- There is a wide variation in business licensing fees and fee structures among local jurisdictions.
- New business license fees range from \$25.00 to over \$600.00
- Annual renewal fees vary greatly as well from \$25.00 to over \$300.00.
- Cities which do not charge an additional fee for a home occupation generally charge more for the business license.

Business License and Home Occupation Permit

- Some jurisdictions have a general licensing fee and charge additional fees. These fees are based on:
 - Number of employees
 - Square footage of business
 - Business and occupation taxes based on gross receipts
- Marysville business license fee is towards the low end of business license fees

Business License and Home Occupation Permit



- The recommendation was developed based on the following:
- Keeping the business licensing process simple.
- Charging a fee for new businesses licenses which reflects the general cost of issuing the license.
- Staying close to revenue neutral.

Business License and Home Occupation Permit

- The recommended option is to do away with the home occupation permit fee and to increase the new business license fee from \$50.00 to \$65.00.
- Keep the annual renewal of the business license at \$40.00.
- It is estimated that the basic cost of processing a business license is \$65.00. Home occupations would be paying \$65.00 instead of the \$100.00 for two fees.