

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Business License Program
DEPARTMENT: Finance
PRESENTED BY: Debbie Tarry, Finance Director

PROBLEM/ISSUE STATEMENT:

The Council's 2005-2006 work plan includes the implementation of an active economic improvement plan. One of the milestones included in this goal is the implementation of a City business license/registration program. In February 2006 the Council reviewed business license policy issues and gave direction to staff to proceed with developing a regulatory business license program and to partner with the Washington State Department of Licensing Master Licensing Service to administer the program.

FINANCIAL IMPACT:

The 2007 proposed budget includes \$90,000 in business license revenue. At \$50 per license, the City would need to issue 1,800 business licenses. At \$60 per license the City would need to issue 1,400 licenses. At this time staff does not have a complete list of all businesses that will be required to license, but based on our sales tax records a minimum of 1,400 businesses should register, and we anticipate that the actual number of licenses issued will exceed this number.

At this time staff has not included additional staffing to implement the business license program. We have discussed the staffing impacts of administering the business license program with other cities that are partnering with MLS and found that each City is different. Sammamish felt that they had very minimal staffing impact once the initial business letters were distributed. Bellevue and Tumwater, on the other hand, have additional staff to assist with the business license program, but it appears that much of the work done by staff is a result of the business and occupation tax that these cities also levy. Although staff is not recommending additional staffing at this time, Council should be aware that as we implement this program we will continue to monitor and may have to request additional staffing support if the workload becomes too burdensome for existing staff.

RECOMMENDATION

On October 9, 2006, the Council is scheduled to adopt the business license ordinance. Staff recommends that Council clarify any issues during this evenings workshop so that any required changes can be made to the ordinance prior to the October 9, 2006 City Council meeting.

Approved By: City Manager _____ City Attorney _____

INTRODUCTION

The Council's 2005-2006 work plan includes the implementation of an active economic improvement plan. One of the milestones included in this goal is the implementation of a City business license/registration program. In February 2006 the Council reviewed business license policy issues and gave direction to staff to proceed with developing a regulatory business license program and to partner with the Washington State Department of Licensing Master Licensing Service to administer the program.

BACKGROUND

Business Licenses

The Revised Code of Washington (RCW) Chapter 35A.82.020 authorizes code cities to exercise the authority authorized by general law for any class of city to license and revoke the same for cause, to regulate, make inspections and to impose excises for regulation or revenue in regard to all places and kinds of business, production, commerce, entertainment, exhibition, and upon all occupations, trades and professions and other lawful activity.

Based on this authorization the City of Shoreline is authorized to assess business taxes and licenses in three forms:

1. Excise (percentage) taxes levied on different classes of business to raise revenue. These are commonly called general business and occupation taxes.
2. Licenses for the purposes of regulation only.
3. Licenses to regulate and raise revenue.

The City Council has given staff direction to develop a business license program for regulatory purposes.

Purposes for implementing a regulatory business license for all businesses include:

- Provide the City with a record of the owners and other contact information;
- Provide a master list of businesses and types of businesses that conduct business within Shoreline;
- Help ensure compliance with City ordinances (for example, zoning, fire and life safety, etc.); and,
- Provide a listing of businesses that can be used to audit against sales tax receipts to ensure that the City is receiving sales tax from all applicable businesses.

Regulatory business license fees are set at a flat rate per license in an amount designed to recover both the direct and indirect costs of registering the businesses and the issuing the licenses, maintaining the files, and inspecting businesses to make certain that all have a license.

State of Washington Master License Services (MLS)

The City Council agreed with staff's recommendation to pursue a business license partnership with MLS.

The MLS is a program within the state Department of Licensing that provides a centralized "one-stop" combined-licensing service to state and local agencies and the business community. The combined-licensing allows MLS to provide a single, centralized process on behalf of many different licensing agencies. Businesses indicate the licenses they need on a Master Application form that addresses the questions common to most applications, along with some specific information required of individual agencies. Applicants complete the single application and pay all required fees for the various agencies with a single check. A separate application must be filed for each physical business location, a common requirement of city business license programs. The application is processed at MLS, where the appropriate fees and information are then distributed through an automated process to each licensing agency affected by that application.

MLS then issues a single "Registrations and Licenses" document, commonly referred to as the 'Master License.' The license document is specific to a particular business location. Each of the licenses that have been granted to the business owner at that physical location appears as a line item "endorsement" on the Master License. Licensing agencies retain full regulatory control over their own license and continue to approve or deny the applicant as appropriate; the individual license endorsement is not printed on the 'Master License' until all of the regulating office's requirements are met. The 'Master License' includes a single, common expiration date for all licenses with a renewal requirement held by the licensee. This allows MLS to issue a single, annual renewal notice.

MLS allows cities to partner with them to issue their business licenses through this single common method and in fact they have developed a grants program to assist in meeting the cost of the partnership process. The grants program is to be available in 2006. To date five cities have partnered with MLS to issue their city business licenses: Bellevue, Richland, Sammamish, Tumwater, and Spokane Valley. City staff has already visited the City of Sammamish and Bellevue to discuss and review the process they use to issue licenses in conjunction with MLS.

MLS is supported through the processing fees it charges applicants and licensees directly for the combined licensing services provided. These processing fees are currently \$15 to file a Master Application, regardless how many licenses are requested on the application; and \$9 to file a renewal, again regardless of the number of licenses being renewed. For Shoreline businesses that are already obtaining a license through the Department of Licensing, the business is already paying this processing fee when they file their master license application.

Process

The City has entered into a contract with the Department of Licensing Master Licensing Services (MLS) to provide business license services. In order to participate in this program the City needed to agree to certain conditions in order to have a timely implementation of the business license program. These conditions include:

- Establishing a flat fee for all businesses, including home occupations
- Continuing the issuance of any specialty licenses, such as massage parlors, by the City. Currently these licenses are administered by the City Clerk's office.

- Allowing only one class of businesses to be exempt from any fee requirements, such as non-profit agencies.
- Utilizing the standard City addendum, used by MLS with other participating cities, as the City's business license application.
- Establishing a field office at City Hall to accept Master Application forms. This will be handled by the City Clerk's office.
- Using the MLS database system to track the business licenses issued within the City; and
- Developing an initial list of businesses to notify of the need to obtain a City of Shoreline business license.

Currently staff is working with both MLS and the Department of Revenue (DOR) to get a listing of the businesses that have reported doing business within the City of Shoreline so that the City can begin notifying businesses that they must obtain a City of Shoreline business license.

The City and MLS are working under the following schedule to implement the license program:

To be completed by October 13, 2006:

1. The Department of Revenue is currently compiling a list of all businesses, that have registered with them, that have a physical location within the City of Shoreline, or businesses that have reported sales tax activity to the City of Shoreline, but that may not be physically located within Shoreline. This information should be made available soon.
2. The City will review this list and add any businesses that can be identified as existing in Shoreline. The City will use this list to develop an initial mailing list.
3. The City sends a "free application" letter to all the businesses on the mailing list. (Attachment A – Sample Letter). At this time businesses are not required to pay any fee as the information returned by the businesses will be used to establish the initial business license database and used by MLS to match against any businesses that already have a MLS account. The "free" period will expire on January 31, 2007.

To be completed by December 8, 2006:

1. MLS processes incoming letters into the MLS system (performs a "match conversion") using an assumed 1/31/07 expiration date.

To be completed by mid-December 2006:

1. MLS will send renewals for the City businesses, based on the 1/31/07 assumed expiration for the accounts. As businesses complete these renewals they will pay their first City of Shoreline business license fee. Businesses that currently have an account with MLS, because they are required to obtain other State licenses, will pay a pro-rated fee that corresponds with the remaining timeframe that their existing State licenses are valid. Businesses that do not have an account with MLS will pay for and receive a City license that lasts a full calendar year. MLS staff will process renewals filed by the City licensees.

To be completed after February 9, 2007:

1. Any accounts not renewed by February 9, 2007 will be sent a delinquency notice (mailed automatically by the MLS system, and any returned will be processed by MLS).
2. After this initial conversion/proration/renewal process, the City's accounts will be on the regular MLS annual renewal cycle, based on their specific common expiration date.
3. The City will continue to monitor sales tax information, applications for permits, and business listings to ensure that all businesses obtain the required business license.

Business License Regulations

The City Attorney is currently reviewing the business license ordinance that Council will be asked to adopt. The primary regulations contained within the ordinance include:

- All businesses doing business within the City will be required to obtain a City business license with the following exceptions:
 - Government agencies
 - Sales by farmers or gardeners of their own farm products raised and grown exclusively upon lands owned or occupied by them.
 - Casual and isolated sales, such as garage sales conducted at a residence, provided, that not more than four such sales are made during the calendar year.
 - Delivery of goods by a vehicle to a customer by a business where the sale occurred on a business premises outside of the city and only event occurring within the City is a delivery.
 - Sales of daily newspapers.
- All businesses applying for a business license will pay the same flat fee except nonprofit and not-for-profit activities and fundraising sales by organizations which the Internal Revenue Service has determined that their charitable contributions would be deemed tax deductible. MLS will verify with the Secretary of State that a business that claims to be exempt from the license fee has received this designation.
- The City license expiration date will be coordinated with the expiration date of all other licenses or permits required by the State for each business.
- Businesses that are required to obtain a specialty business license from the City will still be required to do so.
- A separate business license is required for each individual location within the City.
- Businesses that conduct business within the City, but do not have a physical location within the City, will be required to obtain a City license.
- A separate license is required for each business operated on a single premises. (i.e, Starbucks and Fred Meyer)
- A business license shall be personal and nontransferable.

Fees

Business License Fee: Council will amend Chapter 3 of the Shoreline Municipal Code (SMC) to adopt the business license fee. In February staff recommended that a twelve

month license cost \$65. At that time, there was Council consensus to charge \$50 for a business license. Unless Council provides different direction to staff, the Ordinance amending SMC Chapter 3 will have the business license fee as \$50. Fees collected by MLS will be remitted to the City on a regular basis.

At this time there are no City delinquent fees proposed as MLS has its own delinquent fees and will handle that paperwork for the City as well.

MLS Processing Fee: An existing business that is adding a City of Shoreline license to their account after the initial conversion process will pay the \$15 fee and file a Master Application and City Addendum. After that, new businesses that do not have an account with MLS will pay a \$15 processing fee the first time they obtain any required State and/or a City of Shoreline business license. A single handling fee is assessed for all the required licenses for each physical location.

The processing fee is not a new fee for any businesses which already obtain State or other city licenses through MLS. MLS retains all processing fees. Processing fees are in addition to the City's business license fee.

Stakeholders

Staff is contacting the Shoreline Business Chamber and the North City Business District to provide information on the business license program.

SUMMARY

The recommended policies of the City's business license program align closely with the requirements of many other cities. The City's business license program will enable the City to monitor the number and types of businesses doing business in the City, provide an additional method to assure that the City is receiving sales tax from appropriate businesses and information to ensure that businesses are in compliance with City regulations. The partnership between the City and MLS will allow the City to implement the business license program with a lower administrative cost than if the City were to implement this program independently.

RECOMMENDATION

On October 9, 2006, the Council is scheduled to adopt the business license ordinance. Staff recommends that Council clarify any issues during this evenings workshop that any required changes can be made to the ordinance prior to the October 9, 2006 City Council meeting.

ATTACHMENTS

Attachment A – Sample Letter notification to businesses.



October 13, 2006

{BUS_OWNER_NAME}
{MAIL_ADD_1}
{MAIL_ADD_2}
{MAIL_ADD_3}
{MAIL_CITY} {MAIL_STATE} {MAIL_ZIP} {MZIP4}

UBI Number: {UBI_Number}

Dear City of Shoreline Business:

The City of Shoreline has established a city business license program. You have been sent this letter because you appear to have conducted business during the past year that requires the city license. You must apply for the city license in order to continue to conduct business inside the City of Shoreline. Even if your business is located outside the City of Shoreline, you are required to have a city license to conduct business in Shoreline.

Shoreline has partnered with the state Department of Licensing’s Master License Service (MLS) for administration of the city business license. The city license will be added to your existing MLS business account, which assists the city in keeping the licensing program costs low.

Please complete the form on the back of this letter and return it to MLS.

There is no initial fee due if you send your completed form to MLS by November 15, 2006. If you submit your form after November 15th, you will be charged a \$15 processing fee.

After your initial application is processed, MLS will mail a renewal notice to you in mid-December 2006. At the time that you complete your renewal you will be charged a license fee. The full annual Shoreline license fee is \$XX. If you currently have licenses with the State of Washington and an MLS account, your first city license renewal may be prorated in order to match the expiration date already on your MLS account. Two to four weeks after your renewal has been received, MLS will send you a “Registrations And Licenses” document displaying all your licenses and registrations on file for your business.

You must post your license document in your place of business. If your business is located outside of Shoreline, you must carry a copy of the license, or the wallet card, with you while conducting business inside the city limits.

For more information, please contact the Shoreline City Clerk’s office at (206) ###-####, or visit the website at: www.ci.shoreline.wa.us

APPLICATION FOR CITY OF SHORELINE BUSINESS LICENSE

If you have more than one business location requiring the Shoreline business license, please copy this form and complete a separate application for each location.

1. Write the nine-digit "UBI Number" printed on the front of this letter: _____ - _____ - _____

2. If you corrected the owner name, mailing address or UBI number on the front of this letter, mark this box:

3. Write the physical address of the business location where you conduct business in Shoreline.

_____ Physical Street Address Where Business is Located (not the mailing address, do not use a PO Box)

_____ City _____ State _____ zip code _____ plus four

My business is not physically located in Shoreline, but I need to add the Shoreline license to my existing account. The address I already have licensed is:

_____ Physical Street Address Where Business is Located (do not use a PO Box) _____ City _____ State _____ Zip

4. What is the Firm Name (doing business as name) of your business at this location?

5. Provide a brief description of your business, products or services, at this location:

6. Check the type of city license that applies to your business at this location, or check the reason why no city license is needed:

General Business License – Complete the rest of this application.

Nonprofit Business License - Complete the rest of this application.

Business is Exempt from the city license – Check the exemption, skip to Question 13, and mail the form to MLS.

- Exempt 1
- Exempt 2
- Exempt 3
- Exempt 4

- Exempt 5
- Exempt 6
- Exempt 7

Please note that exempt business will not receive a Shoreline license.

No longer conducting business inside Shoreline city limits – Skip to Question 13 and mail the form to MLS.

No longer in business – Skip to Question 13 and mail the form to MLS.

7. When (date) did you first conduct business in Shoreline: _____

8. Do you use or store hazardous or flammable materials at this location? Yes No

9. Do you conduct this business at your residence? Yes No

10. Are you a general or specialty construction contractor? Yes No

If yes, provide the Dept. of Labor & Industries registration number (if known): _____

11. Give the name and phone number of two after-hours Emergency Contact persons for this business location:

Name: _____ Phone Number (_____) _____ - _____

Name: _____ Phone Number (_____) _____ - _____

12. Mark any of the following activities that you conduct at or from this business location:

- Sexually oriented business
- Adult entertainment

- Gambling
- Charging admission
- Utility (telephone/cellular/ISP, cable, gas, electric, garbage)

- Taxi or For Hire Service / Dispatch
- Ambulance Service / Dispatch

13. Print your Name and Phone Number (the person completing this form), in case we need to contact you:

Name: _____ Phone Number (_____) _____ - _____

Submit this completed application by fax or in the return envelope provided by **November 15, 2006.**

Master License Service
Post Office Box 9034
Olympia Washington 98507-9034

Master License Service:
Telephone: (360) 664-1400
Fax: (360) 570-7875