

## CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

|                      |                                                                                                                                                                                                                                                 |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>AGENDA TITLE:</b> | Adopting Ordinance No. 441 creating Section 5.05 of the Shoreline Municipal Code regarding business licenses and Adopting Ordinance No. 444 creating Section 3.01.080 of the Shoreline Municipal Code establishing a fee for business licenses. |
| <b>DEPARTMENT:</b>   | Finance                                                                                                                                                                                                                                         |
| <b>PRESENTED BY:</b> | 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 accordance with Council direction, Ordinance No. 441 will create Section 5.05 of the Shoreline Municipal Code (SMC) regarding business licenses. Ordinance No. 444 will amend Section 3.01 of the SMC establishing a \$50 fee for a 12 month business license.

### 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 to raise this level of revenue. 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 the State of Washington Master Licensing Service 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

Staff recommends that the City Council adopt Ordinance No. 441 creating Section 5.05 of the Shoreline Municipal Code regarding business licenses and Ordinance No. 444 creating Section 3.01.080 of the Shoreline Municipal Code establishing a fee for business licenses.

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 accordance with Council direction, Ordinance No. 441 will create Section 5.05 - Business Licenses of the Shoreline Municipal Code (SMC). Ordinance No. 444 will amend Section 3.01 – Fees of the SMC to establish a \$50 fee for a 12 month license.

## **BACKGROUND**

### **Business Licenses**

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 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

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

Ordinance No. 441 will create Section 5.05 of the SMC establishing business license policies and regulations. 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.
  - Minors engaged in baby-sitting, delivery of newspapers, lawn mowing, car washing, and similar activities.
- 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.
- A business that is denied a business license may appeal this decision with the City's hearing examiner.

### Fees

*Business License Fee:* Council will amend Chapter 3 of the Shoreline Municipal Code (SMC), by adopting Ordinance No. 444, 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. Ordinance No. 444 establishes a \$50 fee for a twelve month license. 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. Delinquent fees are usually 50% of the original fee.

*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**

Staff recommends that the City Council adopt Ordinance No. 441 creating Section 5.05 of the Shoreline Municipal Code regarding business licenses and Ordinance No. 444 creating Section 3.01.080 of the Shoreline Municipal Code establishing a fee for business licenses.

#### **ATTACHMENTS**

Attachment A – Ordinance No. 441 Adopting Section 5.05 of the Shoreline Municipal Code regarding business licenses.

Attachment B – Ordinance No. 444 Adopting Section 3.08.010 of the Shoreline Municipal Code establishing a fee for business licenses.

**ORDINANCE NO. 441**

**AN ORDINANCE OF THE CITY OF SHORELINE,  
WASHINGTON ESTABLISHING A BUSINESS LICENSE FOR  
THE REGISTRATION OF BUSINESSES OPERATING WITHIN  
SHORELINE, AND ADDING CHAPTER 5.05 TO THE  
SHORELINE MUNICIPAL CODE**

WHEREAS, implementing a business license program is considered to be a sound management practice to protect the City and its citizens; and

WHEREAS, the City desires to have all businesses register with the City in order to have a record of the business owners and to help ensure that businesses are in compliance with City ordinances; and

WHEREAS, the registration of all businesses will assist the City in the audit of sales tax receipts; and

WHEREAS, the State of Washington's Department of Licensing Master Licensing Service program provides the opportunity for the City of Shoreline to partner with the Department of Licensing to provide a centralized, "one-stop" combined-licensing service between the City, the State, and the business community ;

**NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF  
SHORELINE, WASHINGTON DO ORDAIN AS FOLLOWS:**

**Section 1. New Chapter.** A new Chapter 5.05 "Business Licenses" is added to the Shoreline Municipal Code as follows:

**Section 5.05 BUSINESS LICENSES**

|                  |                                          |
|------------------|------------------------------------------|
| Section 5.05.010 | Chapter and purpose                      |
| Section 5.05.020 | Definitions—general                      |
| Section 5.05.030 | License required——notices                |
| Section 5.05.040 | Application and renewal                  |
| Section 5.05.050 | License term or expiration               |
| Section 5.05.060 | Fee                                      |
| Section 5.05.070 | Exception—applicability of provisions    |
| Section 5.05.080 | Penalty for late renewal                 |
| Section 5.05.090 | Violation—Penalty                        |
| Section 5.05.100 | License—suspension, denial or revocation |
| Section 5.05.110 | Additional enforcement                   |

**5.05.010 Chapter and purpose.** In order for the City to responsibly carry out the duties and authorities delegated to it by the Washington State Constitution and the laws of the State of Washington as a noncharter code city, maintenance of current information

with respect to business, trade, service, commercial and professional activities carried on within the City is necessary and essential to the public health, safety and welfare. Such information can best be accumulated and maintained on a current basis through the establishment of a program for the licensing and registration of such activities. The licensing and registration program established is established to protect the public and not intended to benefit any individual or class.

**5.05.020 Definitions—general**

For the purposes of this chapter, the following terms, phrases, words and their derivations shall have the meaning given in this section.

- A. “Business”, “occupation” or “pursuit” means and includes all home occupations, wholesalers, retailers, service providers, towing operators, peddlers, canvassers, solicitors, for-hire vehicles, limousine services, pawnbrokers, secondhand dealers and junk dealers engaged in with the object of economic gain, benefit or advantage to the person, firm or corporation, or to another person or class, directly or indirectly, whether part-time or full-time, whether resident or nonresident.
- B. “City” means the City of Shoreline, Washington.
- C. “Clerk” means such city employees or agents as the city manager shall designate to administer this chapter, or any designee thereof.
- D. “Engage in business” means commence, conduct, or continue in business, and also the exercise of corporate or franchise powers as well as liquidating a business when the liquidators thereof hold themselves out to the public as conducting such business.
- E. “Person,” “firm,” or “corporation,” used interchangeably in this chapter, means any individual, receiver, assignee, trustee in bankruptcy, trust, estate, firm, co-partnership, joint venture, club, company, joint stock company, business trust, corporation, association, canvasser, peddler, solicitor, society, or any group of individuals acting as a unit, whether mutual cooperative, fraternal, nonprofit or otherwise, and includes the United States or any instrumentality thereof.

**5.05.030 Business License required—Notices**

It is unlawful for any person, firm or corporation to engage in any business, occupation or pursuit as defined in Section 5.05.020, in the city without first having obtained a business license therefore as provided in this chapter, except those businesses or activities for which a regulatory business licenses or franchise is required by any other chapter or section of the Shoreline Municipal Code as now or hereafter enacted or amended. The business license provided for in this chapter shall be posted in a conspicuous location at the place of the business. Such business license is nontransferable.

**5.05.040 Application and renewal.**

- A. Application for a business license shall be made by filing a Master Application through the State Department of Licensing’s Master License Service, in coordination with the City Clerk, giving such information as is deemed reasonably necessary to enable the enforcement of this chapter.

Persons applying for a license must pay a fee as established by the city council by ordinance, and the Master License Service's handling fee.

- B. A business license must be approved by the city before a business commences operation within the City. If business is transacted by one person at two or more separate locations within the City a separate application must be filed for each business location and a separate license shall be obtained and displayed in each location.
- C. The Clerk may refer applications to the Planning and Development Services Department, the Police Department, or other governmental agencies for their review. Compliance with building, zoning and other laws is the business owner's responsibility and issuance of a business license is not a guarantee of compliance or a waiver of future enforcement by the City or other agency with jurisdiction.
- D. If more than one business is conducted or operated on a single premises, a separate license shall be required for each business. Each business owner must make a separate application for license.
- E. The filing of an application for a license, or the renewal thereof, or the payment of any application or renewal fee, shall not authorize a person to engage in or conduct a business until such license has been granted or renewed.
- F. A business license is not nontransferable. No licensee shall allow another person to operate a business under, or display the license issued to their business, nor shall another person operate under or display the license issued to another business. A person who acquires an existing business must make application for a city business license before commencing business within the city with that business. A licensee must report a change of location of the business to the Master License Service, in coordination with the City Clerk. A change of the location of a business requires approval by the city before business may commence at the new location, and may require submitting a new Master Application and payment of fees.
- G. Every applicant or licensee shall permit reasonable inspections of the business premises by governmental authorities for the purpose of enforcing the provisions of this chapter.
- H. License renewals are handled by the Master License Service in coordination with the City. Renewal of the city license requires payment of fees including handling fees.

**5.05.050 License term or expiration.**

Each city license issued shall be issued for one year with an expiration date as determined by the Master License Service, in coordination with the City. The City license may be prorated to coordinate with the expiration date assigned by the Master License Service.

**5.05.060 Fee.**

- A. The fee for the business license required by this chapter shall be established by ordinance of the City Council. The fee may be pro-rated as necessary to conform to Section 5.05.050.

- B. The license fee shall be in addition to any license fee or tax imposed or levied under any law or other ordinance of the City except as otherwise expressly provided.
- C. If conducting business within the city, businesses registered with the Washington Secretary of State as a nonprofit corporation must obtain a city business license, but are exempt from paying the city's business license fee.

**5.05.070 Exception – applicability of provisions.**

This chapter shall not be applicable to:

- A. The performance of governmental or proprietary functions by any instrumentality of the United States, the State of Washington, or any political subdivision thereof.
- B. Sales by farmers or gardeners of their own farm products raised and grown exclusively upon lands owned or occupied by them;
- C. Casual and isolated sales, including garage sales conducted on residential premises in compliance with land use ordinances; provided, that not more than four such sales are made during the calendar year;
- D. The delivery of goods by vehicle to a customer or client by a business where the sale occurred on a business premises outside of the City and the only event occurring within the City is a delivery;
- E. Minors engaged in baby-sitting, delivery of newspapers, lawn mowing, car washing, and similar activities.

**5.05.080 Penalty for late renewal.** Licenses must be renewed annually on or before the expiration date, or expiration of any prorated period. Failure to renew a business license by the license expiration date may result in the assessment of a late renewal penalty, and may lead to the revocation of the city license. Notwithstanding 5.05.100.C., revocation of a license due to non-renewal may require reapplication for the city license, and approval by the city before the revoked business may continue operation within the city.

**5.05.090 Violation—penalty.** Any violation of this chapter shall constitute a misdemeanor and the punishment shall be as provided by the laws of the State of Washington.

**5.05.100 License – Suspension, denial or revocation.**

- A. A business license may be denied, suspended or revoked by the clerk whenever the licensee or any of its officers, directors, agents, owners or employees fails or have failed:
  - 1. To maintain the licensed premises or business activity in compliance with applicable health, building, fire and safety laws, ordinances or regulations;
  - 2. To comply with the requirements of this chapter; or
  - 3. To renew a business license within 120 days after the expiration date of the license.

- B. The clerk shall, by certified mail, give written notice to the applicant of denial of a license or to the licensee of suspension or revocation of a license, including a summary of the complaints, objections and information considered by the clerk and the reason(s) for the action. Notice mailed to the mailing address on the application or most recent renewal shall be deemed received three days after mailing. The clerk's decision may be appealed to the City hearing examiner upon payment of the appropriate appeal fee.
- C. Any suspension or revocation shall remain in effect until the conditions causing the suspension or revocation are cured and reasonable measures are taken to ensure that those conditions will not recur.
- D. Appeals of any license suspension, revocation or denial shall be heard by the Shoreline Hearing Examiner. An Appeal Statement must be filed with the City Clerk within fourteen (14) days of the decision being appealed.

**5.05.110 Additional enforcement.** Notwithstanding the existence or use of any other remedy, the city attorney may seek legal or equitable relief to enjoin any acts or practices, which constitute or will constitute a violation of any business license ordinance or other regulations herein adopted.

**Section 2. Severability.** Should any section, paragraph, sentence, clause or phrase of this ordinance, or its application to any person or circumstance, be declared unconstitutional or otherwise invalid for any reason, or should any portion of this ordinance be pre-empted by state or federal law or regulation, such decision or preemption shall not affect the validity of the remaining portions of this ordinance or its application to other persons or circumstances.

**Section 3. Effective Date and Publication.** A summary of this ordinance consisting of the title shall be published in the official newspaper and the ordinance shall take effect 30 days after publication.

**PASSED BY THE CITY COUNCIL ON OCTOBER 9, 2006.**

\_\_\_\_\_  
Mayor Robert L. Ransom

**ATTEST:**

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Scott Passey  
City Clerk

\_\_\_\_\_  
Ian Sievers  
City Attorney

Date of Publication:  
Effective Date:

**ORDINANCE NO. 444**

**AN ORDINANCE OF THE CITY OF SHORELINE,  
WASHINGTON ESTABLISHING A \$50 BUSINESS LICENSE FEE  
AND ADDING SECTION 3.01.080 OF THE SHORELINE  
MUNICIPAL CODE**

WHEREAS, implementing a business license program is considered to be a sound management practice to protect the City and its citizens; and

WHEREAS, the City desires to have all businesses register with the City in order to have a record of the business owners and to help ensure that businesses are in compliance with City ordinances; and

WHEREAS, the registration of all businesses will assist the City in the audit of sales tax receipts; and

WHEREAS, the City desires to charge a flat rate for all businesses that are required to obtain a license;

**NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF  
SHORELINE, WASHINGTON DO ORDAIN AS FOLLOWS:**

**Section 1. New Section.** A new Section 3.01.080 "Business License Fees" is added to the Shoreline Municipal Code as follows:

**Section 3.01.080 BUSINESS LICENSE FEES**

- A. The fee for a twelve month business license required by Chapter 5.05 of the Shoreline Municipal Code shall be \$50. The fee may be pro-rated as necessary to conform to Section 5.05.070 of the Shoreline Municipal Code. .
- B. The license fee shall be in addition to any license fee or tax imposed or levied under any law or other ordinance of the City except as otherwise expressly provided.
- C. The following shall be exempt from payment of fee:
  - 1. Nonprofit and not-for-profit activities and fundraising sales carried on by religious, charitable, educational, benevolent, fraternal or social organizations which have been determined by the Internal Revenue Service (IRS) of the United States to be exempt from the payment of income tax and whose charitable contributions would be deemed tax deductible and listed as such with the Washington Secretary of State.

**Section 2. Severability.** Should any section, paragraph, sentence, clause or phrase of this ordinance, or its application to any person or circumstance, be declared unconstitutional or otherwise invalid for any reason, or should any portion of this ordinance be pre-empted by state or federal law or regulation, such decision or preemption shall not affect the validity of the remaining portions of this ordinance or its application to other persons or circumstances.

**Section 3. Effective Date and Publication.** A summary of this ordinance consisting of the title shall be published in the official newspaper and the ordinance shall take effect 30 days after publication.

**PASSED BY THE CITY COUNCIL ON OCTOBER 9, 2006.**

\_\_\_\_\_  
Mayor Robert L. Ransom

**ATTEST:**

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Scott Passey  
City Clerk

\_\_\_\_\_  
Ian Sievers  
City Attorney

Date of Publication:  
Effective Date: