

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Discussion of Business License Program and Adoption of Ordinance No. 692 Business License Exemption
DEPARTMENT:	City Clerk's Office
PRESENTED BY:	Jessica Simulcik Smith, City Clerk
ACTION:	<input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input type="checkbox"/> Motion <input type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

PROBLEM/ISSUE STATEMENT:

On November 24, 2014, staff proposed amendments to Shoreline Municipal Code Chapter 5.05, Business Licenses, that would allow a limited exception to licensing requirements for small business at City sponsored or nonprofit sponsored events to encourage place-making and community engagement without the burden of the license fee. These amendments were provided for in proposed Ordinance No. 692. Council asked questions about the applicability and equity of the proposed exemptions as well as the benefits of the business licensing program in general. Tonight staff will provide an update on the business license program and respond to Council questions regarding the proposed ordinance. Also Council will have the opportunity to adopt Ordinance No. 692 which would provide for the recommended limited exemption to the City's business license requirements.

RESOURCE/FINANCIAL IMPACT:

Staff anticipates a small financial impact if proposed Ordinance No. 692 is adopted. The City has not historically monitored licenses from small businesses/individuals that would benefit from this exemption. Staff estimates the financial impact will be less than \$4,000, assuming there are 100 businesses/individuals that qualify for the exemption and that they were applying for a business license in the past.

RECOMMENDATION

Staff recommends that Council move to adopt Ordinance No. 692 allowing for a limited exception to licensing requirements for small businesses at City-sponsored or nonprofit sponsored events. If Council wants to revisit the license fee structure or other aspects of the Business License Program, staff recommends reviewing this item in 2016 to determine if it should be added to staff's work plan at that time.

Approved By: City Manager **DT** City Attorney **JA-T**

INTRODUCTION

On November 24, 2014, staff proposed amendments to Shoreline Municipal Code (SMC) Chapter 5.05, Business Licenses, that would allow a limited exception to licensing requirements for small business at City sponsored or nonprofit sponsored events to encourage place-making and community engagement without the burden of the license fee. These amendments were provided for in proposed Ordinance No. 692. Council asked questions about the applicability and equity of the proposed exemptions as well as the benefits of the business licensing program in general. Tonight staff will provide an update on the business license program and respond to Council questions regarding the proposed ordinance.

For reference, the staff report for the November 24, 2014 Council discussion can be accessed at the following link:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2014/staffreport112414-9b.pdf>

BACKGROUND

History of Shoreline's Business Licensing Program

The Revised Code of Washington (RCW) Chapter 35A.82.020 authorizes code cities to license, regulate, and inspect businesses and occupations. In 2009, the City Council authorized a general business license program for “general regulatory purpose” as opposed to a “revenue generating and regulatory” purpose. This business license program was enacted by Ordinance No. 543, which established SMC Chapter 5.05, and Ordinance No. 544, which established the business license fee at \$40 per business per year.

In enacting the business license program in 2009, the City Council found that it was important to know its business landscape and to promote business development within the City. The annual business license fee was set at a cost that would cover administration of the program and to help support economic development services.

The identified purposes for implementing a regulatory business license system in Shoreline included:

- Providing a master list of businesses and types of businesses that conduct business within Shoreline;
- Providing the City with a record of business owners, along with their contact information;
- Helping to ensure compliance with City ordinances (for example, zoning, fire and life safety, etc.);
- Providing a list 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; and
- Generating revenue to help pay for economic development services provided by the City.

For additional information on the establishment of Shoreline's Business License Program, the staff report and ordinances that were provided to Council in 2009 can be accessed at the following link:

Business License Program Structure and Applicability

The City requires that any person, firm or corporation that is required to register with the Washington State Department of Revenue Business Licensing Service (BLS) to engage in any business, occupation or pursuit in the City should obtain a Shoreline Business License. However, SMC 5.05.040 provides for three exemptions to the requirement to obtain a City Business License:

1. The performance of governmental or proprietary functions by any instrumentality of the United States, the state of Washington, or any political subdivision thereof.
2. Businesses or activities for which a regulatory business license or franchise is required by any other chapter or section of the Shoreline Municipal Code as now or hereafter enacted or amended.
3. 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.

To issue the City's Business Licenses, the City has a contract with BLS to provide this service. As noted above, the cost of a new City license is \$40. However, BLS also charges a processing fee of \$19 to issue the license in a business's initial year (\$59 total). To renew the license, which must be done annually, a business must pay the City's cost (\$40) plus BLS's renewal processing fee of \$11 (\$51 total). There is a single processing fee for an applicant to obtain multiple city and State licenses during a combined application process.

Pursuant to SMC 5.05.070(C), businesses registered with the State of Washington as a nonprofit corporation are required to obtain a Shoreline Business License but are exempt from paying the City's Business License fee (\$40). However, they still have to pay the State's annual processing fee.

The City does not pay any fees to BLS for their licensing services (the processing fees the business pays cover those services), with the exception of costs for reporting requests, special projects, and for access and usage of the BLS system. However, the City's needs for these 'extra' BLS services (and therefore the cost of these services) is small; the City paid just \$284 in usage fees to BLS in the last 12 months.

Business Licensing Program Data

As of December 2014, 5,057 businesses have a Shoreline Business License. Of these businesses, 2,591 (51%) are located in Shoreline, and 2,466 (49%) are located outside of Shoreline. As Council recalls, the Business License Program is structured so that any business *doing* business in Shoreline must obtain a Shoreline Business License, regardless of whether the business is physically located within the City.

Revenue generated from the program has averaged \$183,000 the last three full years. The annual business license revenue from the program's inception is as follows:

Year	Business License Fee Revenue
2009	\$0
2010	\$160,097
2011	\$184,028
2012	\$181,553
2013	\$184,068
2014 (through Dec. 19)	\$171,200

Business Licensing Approval Process

After a business license application has been filed with BLS and applicable fees are paid, the City Clerk's Office downloads the Agency Requirements Document (ARD) from the BLS system and starts the approval process. If the business is located in Shoreline, the ARD is routed to the Planning & Community Development (PCD) Department so that staff can verify that the business use is allowed in the zone that underlies the address associated with the business. PCD staff also determine if the City should engage in proactive communication when permits might be needed to alter the building that the business occupies. If the business is a home business/occupation, PCD sends the applicant information on home occupation regulations and confirms adequate parking is being provided. If the business is in a commercial zone, the ARD is also routed to the Shoreline Fire Department and acts as a notification for them to go out and perform a commercial fire inspection.

After this internal review is complete, the Clerk's Office approves the business license within the BLS system and mails out New Business Welcome Packets" to each new business in Shoreline. Additionally, the Clerk's Office receives weekly "no City Registration" reports from BLS that are used to send out letters with application forms to businesses that are operating in Shoreline but don't yet have a Shoreline Business License. In managing the Business License Program, staff also create and circulate reports about new businesses that have become licensed and respond to in-person and over-the-phone questions about the program.

Business Licensing Program Benefits

As was noted during the Council discussion on November 24 regarding the Business License Program, there are many benefits to requiring a Shoreline Business License. Staff has identified the following benefits of the program:

- Connecting businesses with business resource information**
 As noted earlier, new businesses to Shoreline are sent a welcome packet that includes a letter from the Mayor, a copy of Vision 2029, the latest issue of Currents, a City of Shoreline Map published by the Chamber of Commerce and the City of Shoreline, a letter from the Economic Development Manager, the latest QuickStart Shoreline schedule, and a handout on Home Business/Occupation (if applicable). The welcome packet serves to not only provide valuable information to new businesses, but helps communicate that Shoreline supports the business community.
- Communicating with targeted businesses on community issues**
 For certain projects the City may want to communicate with particular businesses about City regulations or a City project or initiative. The Business License database

allows for easy access to this business information. Examples of this include communicating to businesses along the Aurora Corridor during the Aurora Project, and communicating with retail establishments when the City adopted carryout bag regulations.

- **Eliminated the need for a Home Occupation Permit**
After the Business Licensing Program was established, PCD was able to eliminate the need for a Home Occupation Permit, which required an applicant to submit an application, critical areas worksheet, home occupation criteria worksheet, site plans and floor plans. This permit required a one-hour minimum submittal fee to process the permit.
- **Commercial Fire Inspections**
The Shoreline Fire Department is responsible for fire code compliance. Notification of a new business or change of use is extremely helpful to the Fire Marshal's Office so they know when to go out and perform an inspection. Without the Business License Program, the Fire Department can only perform inspections when they learn of a new business or change of use.
- **Proactive Permitting Communication**
Information provided on the ARD gives PCD an idea of when a tenant improvement permit might be needed, and they can then communicate the potential permitting information with the applicant.
- **Economic Development**
Having a list of businesses and products/services offered in the City is important for the Economic Development Manager to perform outreach and design programs to assist and market businesses. The list is also shared with the Chamber of Commerce annually to be used to promote commerce and provide educational opportunities.
- **Business Development Support**
Revenue from business licensing support programs like QuickStart.
- **Tax Auditing**
The list of businesses is used to discover discrepancies that when caught result in additional sales tax dollars that the City would otherwise not be aware of.

Business License Programs in Other Cities

According to the Association of Washington Cities 2014 Tax and User Fee Survey, 170 cities responded that they charge a business licensing fee. Of these 170 cities, 116 of them charge a flat fee, similar to Shoreline. The average fee charged is \$40. Attachment A to this staff report contains business licensing information on sixteen cities that are either close in proximity, similar in population size, or are cities used as a labor market comparables to Shoreline. In addition to providing business license fee and fee structure information, the matrix also identifies if the program is regulatory or revenue generating in nature and whether the municipality also charges a Business and Occupation Tax on their business community.

DISCUSSION

Business License Program Exemption Proposal

As was noted when staff first introduced the proposed business license exemptions on November 24, the City provides community events and programs, such as Celebrate Shoreline, recreational classes, and concert series, for which the City contracts with individuals or small business to sell goods or offer a service. Similarly, nonprofit organizations sponsor community events such as fairs or festivals that have vendors that also provide goods or services. Many of these vendors and instructors do not regularly do business in the City, or do minimal business all together, but may still be required to obtain a Shoreline Business License.

Because this license requirement is an additional process that these vendors must adhere to, in addition to the license fee having an economic impact on the vendors, the City anticipates it could create challenges recruiting vendors and entertainers for special events and individuals to instruct classes if no exemption exists for these individuals or small businesses. Therefore, staff has recommended two exemptions to SMC Chapter 5.05 that would encourage place-making by allowing businesses to participate and engage with the community without the burden of obtaining a business license. These exemptions are noted in proposed Ordinance No. 692, which is attached to this staff report as Attachment B.

The first exemption applies to individuals and/or businesses who conduct limited retail sales as part of a City-sponsored event or a recognized 501(c)(3) nonprofit organization-sponsored event no more than six (6) days per calendar year and who generate no more than \$5,000 in gross receipts per calendar year within the City. Included in this category may be food vendors at Celebrate Shoreline and vendors at the Shoreline Holiday Crafts Market.

The second exemption will apply to individuals and/or businesses who provide recreational instruction or performance services as part of a City-sponsored event or a recognized 501(c)(3) nonprofit organization-sponsored event and who generate no more than \$5,000 in gross receipts per calendar year within the City. Examples might be an instructor who teaches watercolor painting a few times per year or an entertainer who performs once a year at Celebrate Shoreline.

Business License Exemption Applicability

Retail vendors, recreation instructors and performers, like all business operators, are required to register their business with the State if they meet any of the following criteria:

- They collect sales tax
- Their gross income is \$12,000 or more per year in Washington State
- They are required to pay other types of taxes or fees
- They are a buyer or processor of specialty wood products

If any of these criteria are met, the business owner would be required to register with the State, and would also be subject to the City's Business License Program.

In most cases, vendors, instructors and performers that might be eligible for the proposed exemption from the City's Business License Program would either meet the

sales tax or \$12,000 gross income criteria. Specifically, those vendors selling food or goods will likely be required to collect sales tax, and vendors, instructors or performers might make \$12,000 per year throughout the State, even if they don't gross that amount of revenue in Shoreline. As many instructors and performers provide service in multiple jurisdictions, while they may not gross \$5,000 in Shoreline in any given year, they may gross \$12,000 or more statewide.

Business License Exemption Examples

At the November 24 Council meeting, Council asked for specific examples of how these exemptions might be applicable to individuals/small businesses. The table below provides these examples:

	Food Truck; 1 Event in Shoreline; Grossed \$4,500 at Shoreline Event	Holiday Craft Vendor; 5 Events in Shoreline; Grossed \$1,000 Total at all Shoreline Events	Famer's Market Produce Vendor; All Season (15 Markets)	Adjunct Professor/ Lecturer at Shoreline Community College	Karate Instructor	Musician; Grossed \$3,000 at all Shoreline Events
Collects Sales Tax?	Yes	Yes	No	No	No	No
Gross Income \$12,000 Per Year or More in Washington State?	Yes	No	Yes	Yes	No	Yes
Required to Pay Other Taxes/ Fees?	No	No	No	No	No	No
Buyer or Processor of Specialty Wood Products?	No	No	No	No	No	No
Shoreline Business License Required	Yes	Yes	Yes	Yes	No	Yes
Qualify for Proposed Exemption?	Yes	Yes	No	No, exemption only is for providing recreation instructional or performance services	Not Applicable	Yes

Similar Exemptions in Other Cities' Regulations

Staff reviewed the municipal codes of the sixteen cities listed in the Comparable Cities Matrix (Attachment A) and found that four (4) of these cities provide a similar exemption that staff is proposing in proposed Ordinance No. 692. The following table provides the Code exemption language from these cities' municipal codes:

City	Exemption Language
Bothell	<p>Exemptions for Nonprofit Festivals</p> <p>A. No license shall be required of any person who operates a business in conjunction with nonprofit community festivals, as approved by the license officer; provided all of the following criteria are met:</p> <ol style="list-style-type: none"> 1. The business does not operate within the city more than three consecutive days; 2. The business does not operate within the city more than 12 days in a calendar year; and 3. The business is authorized to participate in the community festival by the sponsor of the festival. <p>B. Any person claiming the exemption set forth in this section shall register with the city, on a form prescribed by the license officer, each time he or she engages in business within the city to track the number of days said person does business within the city.</p>
Kirkland	<p>No License Required in Certain Circumstances</p> <p>(d) No license is required if a person engages in no activities within the city but the following:</p> <ol style="list-style-type: none"> (2) Activities that are within the term and scope of a city special event permit, pursuant to Chapter 19.24 or a community program activity as defined in Section 19.24.010 (e.g., vendors at a temporary booth who are included under an entity's special event or community program permit, consistent with the term and activity for which the permit was issued); (3) Activities that are within the term and scope of a city-operated and city-managed parks event that would otherwise be exempt if they were conducted pursuant to a special events permit;
Lakewood	<p>License Waivers for Community Events</p> <p>In connection with any activity, business or function for which a business license would be required as provided in this Title, if the City Manager or a majority of the City Council determines that the activity, business or function subject of the license exclusively constitutes or is a part of a civic, community or school event, the license fee may be waived by and in the discretion of the City Manager or a majority of the City Council, after considering the benefits of the event to the community and its impacts on the City.</p>
Redmond	<p>Exemptions</p> <p>(9) Community special events that are sponsored by the city and that are open to the public without the payment of an admission fee are exempt from the requirement to obtain a business license. In addition, no business license shall be required for dealers, vendors, entertainers, instructors, and others with whom the city or any co-sponsor contracts to provide goods or services at the event. As used in this subsection, "community special event" means the following events sponsored or co-sponsored by the City: Derby Days, Redmond Lights, Eggstravaganza, the Digital Arts Festival, the Arts in the Park Series, the Community Lecture Series, Pet Fair, Bridal Fair, the Spring Garden Fair, the Holiday Craft Market, Healthy, Wealthy and Wise Health Fair, Sculpture Garden, and the Great Day of Play.</p>

Council Questions from the November 24 Business License Discussion

Council asked several other questions regarding what types of businesses are required to obtain a Shoreline Business License and how the two proposed exemptions will be applied. Following are the questions and staff response.

- 1. Q:** With regard to specialized instruction, would the teacher/contractor/consultant, not be the one collecting sales tax? Wouldn't it be the City that collects any sales tax and then hires the consultant to teach the class?

A: Physical fitness and recreational activities, where the customer is an active participant rather than merely an observer or passive participant (fitness classes), are subject to retail sales tax; however, income derived from instructional lessons (swimming lessons or learning a language) is not subject to retail sales tax. If retail sales tax is applicable, the City collects it and pays it directly to the State.

- 2. Q:** Do we have a sense how much it would cost if we charged the fee evenly, and then issued refunds to business that do not reach \$5,000 in gross revenue?

A: Staff believes many of the craft vendors, one-time performance entertainers, and instructors that are hired by the City are not currently obtaining a Shoreline Business License. By not providing for an exemption, there would be an initial staff effort to get them to purchase a license. At the end of the year, it would be the business's responsibility to request a refund from the City if they made less than \$5,001 within the City.

There is a three week period after the end of the year to perform transactions and have them post to the previous year financial accounts. The end of the year is extremely busy for the Clerk's Office processing regulatory business licenses and for the Administrative Services Department wrapping up year end financials. The increased work load of processing up to an estimated 100 check requests would be very challenging to implement, and there would be no income to fund the additional work it would create. Also, it should be noted that the City would be holding on to the business's \$40 for up to one year interest free, and the State's \$19 processing fee would not be refundable.

- 3. Q:** Do we have a sense of how many businesses would be exempt from the fee as proposed?

A: Between craft vendors, food vendors, entertainers, and instructors that would be eligible as a result of the requirement of less than \$5,000, staff anticipates approximately 100 businesses would qualify for the exemption. No doubt some vendors currently purchase (and will continue to purchase) City Business Licenses. However our assumption is that many small craft vendors and one-time food vendors have not purchased Shoreline Business Licenses in the past and would not have to with these exemptions.

4. **Q:** Can you clarify for me if the following are required to obtain a Shoreline Business License?

- a) Scouting organizations or similar groups engaged in fundraising?
- b) Political organizations registered with the PDC?
- c) Houses of worship?

A: The City requires a Shoreline Business License if the business is required to register with the State Department of Revenue. If the business is a state registered nonprofit, the City still requires a Shoreline Business License but the \$40 fee is waived.

The Department of Revenue requires registration if the nonprofit conducts taxable business activities. Cash donations (gifts or contributions) are not subject to business and occupation (B&O) tax or retail sales tax as long as the donor does not receive any significant goods or services in exchange for the donation. Qualifying nonprofit organizations only conducting fundraising activities that do not constitute normal operations are not required to register. Political organizations do not qualify for the fundraising exemptions for B&O tax and sales tax. Therefore, if a scouting, political, or house of worship organization met the above criteria, it would not need to obtain a Shoreline Business License. However, most large nonprofits are registered with the state for charitable purposes.

Additional Policy Question

On November 24, Deputy Mayor Eggen expressed a desire to have the proposed exemptions include all nonprofits, not just the ones with 501(C)(3) status. This would be a policy choice for Council to make.

SMC 5.05.070(C) states that a business registered with the Secretary of State must obtain a Shoreline Business License but is exempt from paying the fee. The two exemptions being proposed in proposed Ordinance No. 692 state “a recognized 501(c)(3) non-profit organization sponsored event”. This language could be changed to “event sponsored by a nonprofit corporation registered with the State of Washington” to parallel language that already exists in SMC 5.05.

A State-registered nonprofit is not necessarily a 501(C)(3). The decision to be a 501(C)(3) is driven by the nonprofit’s activities and whether they would benefit (tax wise) from becoming one or could be eligible for grants or other contributions by becoming one. In essence, the larger the group the more likely federal recognition is desired. Thus, by changing the exemption to those events sponsored by State-registered nonprofits, Council would be expanding the scope of events that are available to small vendors.

COUNCIL GOAL ADDRESSED

Business licensing helps support Council Goal #1 to strengthen Shoreline’s economic base by providing the city information on the current business landscape that can be used to engage with and support the business community, and to promote Shoreline for future economic growth.

RESOURCE/FINANCIAL IMPACT

Staff anticipates a small financial impact if proposed Ordinance No. 692 is adopted. The City has not historically monitored licenses from small businesses/individuals that would benefit from this exemption. Staff estimates the financial impact will be less than \$4,000, assuming there are 100 businesses/individuals that qualify for the exemption and that they were applying for a business license in the past.

RECOMMENDATION

Staff recommends that Council move to adopt Ordinance No. 692 allowing for a limited exception to licensing requirements for small businesses at City-sponsored or nonprofit sponsored events. If Council wants to revisit the business license fee structure or other aspects of the Business License Program, staff recommends reviewing this item in 2016 to determine if it should be added to staff's work plan at that time.

ATTACHMENTS

Attachment A – Comparable Cities Business License Program Matrix

Attachment B – Ordinance No. 692, amending SMC, Chapter 5.05 Business License

Comparable Cities Business License Program Matrix

Municipality	Regulation or Revenue Generating?	Minimum License Fee	Fee Base	Fee Rate	One-Time or Annual?	Discount Renewal Fee?	B&O Tax?
Auburn	Regulation	\$50.00	Flat fee	\$50 + \$63 one-time inspection fee	Annual	No	No
Bellevue	Regulation	\$89.00	Flat fee	\$89.00	One-time	Not Applicable	Yes
Bothell	Revenue Generating	\$0.00	Other	Based on (1) type; (2) # of employees; & (3) square feet	Annual	No	No
Burien	Revenue Generating	\$30.00	Number of employees	\$150 40+ emp.; \$75 0-39 emp.; \$30 Home Occupation	Annual	No	Yes
Edmonds	Regulation	\$50.00	Flat fee based on type	\$125 business; \$100 Home Occupation; \$50 business located outside city	Annual	Yes	No
Everett	Regulation	\$10.00	Flat fee	\$10.00	One-time	Not Applicable	Yes
Federal Way	Regulation	\$75.00	Flat fee	\$75.00	Annual	Yes	No
Kent	Revenue Generating	\$100.00	Number of employees	\$100 1-24 emp.; \$200 25-49 emp.; \$400 50-99 emp.; \$600 100+ emp.	Annual	No	Yes

ATTACHMENT A

Municipality	Regulation or Revenue Generating?	Minimum License Fee	Fee Base	Fee Rate	One-Time or Annual?	Discount Renewal Fee?	B&O Tax?
Kirkland	Revenue Generating	\$50.00	Per employee	\$100 base fee + \$100 per emp.	Annual	No	No
Lake Forest Park	Regulation	\$30.00	Flat fee	\$30 inside City; \$60 outside City	Annual	No	Yes
Lakewood	Regulation	\$60.00	Flat fee	\$60.00	Annual	No	No
Olympia	Regulation	\$30.00	Flat fee	30 (+ one time new business fee of \$25, and B&O registration of \$25)	Annual	No	Yes
Redmond	Revenue Generating	\$92.00	Per employee	\$92.00	Annual	No	No
Renton	Revenue Generating	\$110.00	Per employee	\$65.00	Annual	No	No
Sammamish	Regulation	\$15.00	Flat fee	\$15.00	Annual	No	No
Seattle	Regulation	\$55.00	Flat fee	\$110 standard business; \$55 small business	Annual	No	Yes
Shoreline	Regulation	\$40.00	Flat fee	\$40.00	Annual	No	No

ORDINANCE NO. 692

**AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON
AMENDING SHORELINE MUNICIPAL CODE, CHAPTER 5.05
BUSINESS LICENSES, TO ALLOW FOR A LIMITED EXCEPTION TO
LICENSING REQUIREMENTS FOR SMALL BUSINESS AT CITY-
SPONSORED OR NON-PROFIT SPONSORED EVENTS.**

WHEREAS, the City of Shoreline is a non-charter optional municipal code city as provided in Title 35A RCW, incorporated under the laws of the state of Washington (hereinafter referred to as “City”); and

WHEREAS, the City provides for community programs, such as recreational classes, for which the City contracts with individuals or small business to provide; and

WHEREAS, the City along with non-profit organizations routinely sponsor shows, festivals, or other similar types of events (hereinafter referred to as the “Events”) within the City limits which provide an opportunity for small businesses to sell goods and/or services at retail to those attending or provide for recreation instruction as part of the City’s programs; and

WHEREAS, Shoreline Municipal Code (SMC), Chapter 5.05, requires any person, firm, or corporation which is required to register with the Washington State Department of Revenue to engage in any business, occupation, or pursuit in the City to obtain a business license; and

WHEREAS, the City has set forth an appropriate fee in SMC 3.01.200 for a business license and SMC 5.05.040 provides for limited exceptions to this fee but does not address small business of the types providing recreational services and/or retail sales; and

WHEREAS, to require businesses seeking to contract with the City for recreational services or to participate in Events, most of which are small businesses, to secure a city business license and pay the associated fee would provide an economic burden on those businesses; and

WHEREAS, allowing for an exemption of the city business license fee would encourage place-making by allowing small businesses to participate and engage with the community without the burden of the license fee; and

WHEREAS, the economic burden imposed on these small businesses by requiring them to pay a city business license fee could result in a decision by these businesses not to contract with the City or to participate in Events, with the loss of small business participation adversely impacting recreational services and the Events, potentially resulting in their cancellation; and

WHEREAS, the loss of these types of services and Events would be adverse to the best interests of the citizens of Shoreline and the community they have built; and

WHEREAS, the City Council has determined it to be in the best interests of the citizens of Shoreline and the community to ensure these types of Events continued and that a diverse variety of businesses are encouraged to participated, including small business;

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

Section 1. Amendment to Shoreline Municipal Code. Shoreline Municipal Code, Title 5, Section 5.05 shall be amended as follows providing for an exemption from business license regulations:

SMC 5.05.040 – 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. Businesses or activities for which a regulatory business license or franchise is required by any other chapter or section of the Shoreline Municipal Code as now or hereafter enacted or amended.

C. 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.

D. Individuals and/or businesses who conduct limited retail sales as part of a city-sponsored event or a recognized 501(c)(3) non-profit organization-sponsored event no more than six (6) days per year and who generate no more than \$5,000.00 in gross receipts per calendar year within the City.

E. Individuals and/or businesses who provide recreation instructional services or performance services as part of a city-sponsored event or a recognized 501(c)(3) non-profit organization-sponsored event and who generate no more than \$5,000.00 in gross receipts per calendar year within the City.

Section 2. Severability. If any section, sentence, clause, or phrase of this ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other section, sentence, clause, or phrase of this ordinance..

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

PASSED BY THE CITY COUNCIL ON JANUARY 5, 2015.

Mayor Shari Winstead

ATTEST:

APPROVED AS TO FORM:

Jessica Simulcik-Smith
City Clerk

Margaret King
City Attorney

Date of Publication: , 2015
Effective Date: , 2015