



MEMO TO: Finance, Administration and Communications Committee of the Whole

FROM: Laura Pendergraft, Business License Coordinator
Ryan Spencer, Customer Service Manager

DATE: October 23, 2018

SUBJECT: House Bill 2005 and Business Licensing Impacts

I. PURPOSE For Info Only Potential Agenda Item Scheduled for Council Action

II. RECOMMENDATION

The Customer Service Division has updated the ordinance language concerning the administration of the business licensing program to reflect changes required by State House Bill 2005. As part of this process, the Department is seeking approval to schedule the proposed ordinance for Council action within the budget adoption packet on December 4, 2018.

Staff is providing information on research performed and impacts evaluated which leads to our proposed selection of maintaining the State recommended threshold of \$2000.00, and requiring a fee-free license/registration for all persons or businesses, who do not maintain a place of business within the City, but whose annual value of products, gross proceeds of sales, or gross income of business conducted in Redmond is equal to or less than the threshold.

III. DEPARTMENT CONTACTS

Rachel Van Winkle, Parks and Recreation Director	425-556-2334
Ryan Spencer, Customer Service Manager,	425-556-2836
Laura Pendergraft, Business License Coordinator,	425-556-2193

IV. DESCRIPTION/BACKGROUND

Washington State Legislature unanimously passed House Bill 2005 on April 17, 2017, an act relating to improving the business climate in this state by simplifying the administration of municipal general business licenses; adding a new chapter to Title 35 RCW; and creating a new section.

One element of this bill requires all Washington State cities that administer a business license program to adopt a model definition for engaging in business. This will provide a consistent interpretation for persons or businesses to adhere to regardless of the Washington city or cities they may operate in. This language has been included in the revised ordinance (Attachment A).

A second element of this bill requires establishing a threshold amount with complete license/registration exemption or a threshold amount with a fee-free license/registration requirement for businesses located outside of the City. Staff has researched what other municipalities are choosing to do, what impacts each of these options will have on the customer/business, City revenues, consequences to other business processes within the City and a myriad of other considerations (Attachment B) that provided clarity on the direction to propose. The \$2000.00 threshold amount with a fee-free license/registration requirement language has also been included in the attached revised ordinance.

A. Analysis

Process to Date

- Customer Service staff provided information to City Council (9/25/18 FAC meeting) to receive initial input and answer questions.
- Customer Service Division gathered information from neighboring cities and has collaborated with Financial Planning, Technology and Information Services, and Development Services to identify impacts to our customers and to City operations based on the options available for selection.
- Redmond Municipal Code (RMC) Chapter 5.04, General Business Regulations, has been reviewed by numerous departments, City Clerk's Office, and City Attorney with HB 2005 language and other minor changes being incorporated.

Service Delivery or Fiscal Impacts

- Some outreach/education may be necessary for out-of-city businesses that have been required to pay for a City of Redmond Business License in years' past but will not be required to pay the fee beginning in 2019 (due to the \$2,000 threshold). This should not create any service delivery issues however it will result in some decline in revenues for the City, estimated to be a decrease of \$300,000 or less of the \$9,000,000 in revenue generated by the program annually.

V. TIME CONSTRAINTS

A city that imposes a general business license requirement must adopt the mandatory provisions of the model ordinance by January 1, 2019 or it may not enforce its general business licensing requirements on any person until the effective date of the adoption. Staff recommends bringing the revised ordinance to Council within the budget adoption packet on December 4, 2018.

VI. LIST OF ATTACHMENTS

Attachment A – Business Licensing Revised Ordinance Draft
Attachment B – Business Licensing Options Comparison