



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

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

**DATE:** September 25, 2018

**SUBJECT:** House Bill 2005 and Business Licensing Impacts

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

**II. RECOMMENDATION**

Staff will provide an update on House Bill 2005, passed by the State Legislature in 2017, to improve the business climate in Washington by simplifying the administration of municipal general business licenses. Staff will explain what immediate impacts this will have on the City of Redmond Business Licensing code/ordinance and future impacts this will have on software requirements.

**III. DEPARTMENT CONTACTS**

Rachel Van Winkle, Interim Parks and Recreation Director,	425-556-2334
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**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 new bill requires all Washington State cities that administer a business license program to adopt a model business license threshold (Attachment A) as well as a model definition for engaging in business (Attachment B) into their city municipal code by January 1, 2019. These model definitions were created by the Association of Washington Cities (AWC) per the requirements of the House Bill, Redmond staff participated and provided input throughout this process. Having these two items uniform among all Washington cities will ease the interpretation and navigation necessary for businesses operating in multiple cities and create a more consistent application of requirements.

A second element of this new bill will require all cities to implement one of two choices of software (File Local or the State Business Licensing System/BLS) for their externally facing interface used by the businesses for applying, registering, or renewing their

licenses. This is to streamline the process for businesses operating in multiple cities by enabling a method to complete their application or renewal for all cities they operate in through a single website process. Evaluation of the two options is underway though in a very early stage. City staff and leadership will become more involved in the coming year as further evaluation is completed and a selection is made. If File Local is selected the deadline for implementation is July 1, 2020, otherwise the deadline for the State BLS implementation is December 31, 2022.

#### **A. Analysis**

##### **Process to Date**

- Redmond Municipal Code (RMC) Chapter 5.04, General Business Regulations, is currently being reviewed by City staff with HB 2005 changes being incorporated.
- Other sections of the RMC, as they pertain to licensing and conducting business, are also currently being reviewed for possible revisions (i.e. – “business operating within the boundaries of Wellhead Protection Zones 1, 2, or 3” being amended to “boundaries of Critical Aquifer Recharge Area I and II”) to thoroughly update all areas of the code at once. A “red-lined” version of Chapter 5.04, and other applicable sections of the code, is scheduled to be reviewed by the City Clerk’s office and the City Attorney in October.

##### **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 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 - Model Business License Threshold

Attachment B - Model Definition for Engaging in Business