



Memorandum

Date: 9/16/2025
Meeting of: City Council

File No. AM No. 25-138
Type: Consent Item

TO: Members of the City Council
FROM: Mayor Angela Birney
DEPARTMENT DIRECTOR CONTACT(S):

| | | |
|---------|----------------|--------------|
| Finance | Kelley Cochran | 425-556-2748 |
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DEPARTMENT STAFF:

| | | |
|---------|-----------------|---|
| Finance | Haritha Narra | Deputy Finance Director |
| Finance | Adam O'Sullivan | Finance Manager |
| Finance | Denise Shinoda | Program Coordinator, Business Licensing |

TITLE:

Adoption of an Ordinance Amending Redmond Municipal Code (RMC) Subsection 5.04.080.F Increasing the Business License Model Minimum Threshold for Out-of-City Businesses, and Implementing Adjustments to the Threshold Every Four Years

- a. Ordinance No. 3227: An Ordinance of the City of Redmond, Washington, Amending Redmond Municipal Code (RMC) Subsection 5.04.080.F to Implement a One-Time Increase to the Business License Model Minimum Threshold for Out-of-City Businesses, with Adjustments to the Threshold Every Four Years Based on Cumulative Inflation, as Required by RCW 35.90, Municipal Business Licensing; Providing For Severability, and Establishing an Effective Date

OVERVIEW STATEMENT:

In 2024, the Association of Washington Cities (AWC) coordinated a workgroup of cities and business stakeholders to review and update the business license model minimum threshold to \$4,000, effective January 1, 2026, with inflationary adjustments every four years.

Currently, per RMC 5.04.080.F, businesses or individuals whose annual value of products, gross proceeds of sales, or gross income within the City of Redmond is equal to or less than \$2,000, and who do not maintain a physical place of business within the City, are exempt from the City's business license fee. This model minimum threshold of \$2,000 was developed and adopted in 2019.

Cities are required to adopt the new threshold, and those who partner with the state's Business Licensing Service (BLS) must adopt the new threshold by mid-October to comply with the BLS 75-day notification requirement for any changes to city business license programming.

☒ **Additional Background Information/Description of Proposal Attached**

REQUESTED ACTION:

- ☐ **Receive Information** ☐ **Provide Direction** ☒ **Approve**

REQUEST RATIONALE:

- **Relevant Plans/Policies:**
RCW 35.90 - Municipal Business Licensing
Redmond Municipal Code (RMC) Section 5.04 - General Business Regulations
- **Required:**
Changes to the Business License Model Minimum Threshold in RMC 5.04 are required to be adopted by Council via Ordinance.
- **Council Request:**
N/A
- **Other Key Facts:**
N/A

OUTCOMES:

Approval of the ordinance will update the model minimum threshold to \$4,000, implement automatic adjustments to the threshold every four years based on inflation, and maintain city compliance with RCW 35.90, effective January 1, 2026.

The inflationary adjustments will be calculated by AWC every four years using Consumer Price Index-U (CPI-U) Western (Attachment C). The threshold will be adjusted based on the cumulative change in the Consumer Price Index, subject to annual caps of five percent and floors of zero percent, and rounded to the nearest \$100. Council will be asked to approve changes to the model minimum threshold accordingly.

COMMUNITY/STAKEHOLDER OUTREACH AND INVOLVEMENT:

- **Timeline (previous or planned):**
2025 - 2026
- **Outreach Methods and Results:**
Business Licensing already shares the upcoming model minimum threshold change with affected businesses by phone. The city website will be updated to communicate the model minimum threshold change. City Business Licensing staff will coordinate with city communications and economic development staff, as well as OneRedmond staff, to notify businesses. The change will be seamless to businesses as it is programmed into the fee calculation by BLS.
- **Feedback Summary:**
Small businesses have provided positive feedback to business licensing staff when this upcoming change has been shared during phone calls.

BUDGET IMPACT:

Total Cost:

This increase will result in a revenue reduction of \$47,376. This revenue loss is accounted for in the 2025-2026 biennial

budget, as implementation of this change was anticipated.

Approved in current biennial budget: ☐ Yes ☐ No ☒ N/A

Budget Offer Number:

N/A

Budget Priority:

N/A

Other budget impacts or additional costs: ☐ Yes ☐ No ☒ N/A

If yes, explain:

N/A

Funding source(s):

N/A

Budget/Funding Constraints:

N/A

☐ Additional budget details attached

COUNCIL REVIEW:

Previous Contact(s)

| Date | Meeting | Requested Action |
|------------|--|---------------------|
| 11/12/2024 | Committee of the Whole - Finance, Administration, and Communications | Receive Information |
| 9/9/2025 | Committee of the Whole - Finance, Administration, and Communications | Provide Direction |

Proposed Upcoming Contact(s)

| Date | Meeting | Requested Action |
|------|----------------------------|------------------|
| N/A | None proposed at this time | N/A |

Time Constraints:

Cities that partner with the state's BLS for business licensing administration are required to adopt the updated model minimum threshold of \$4,000 for out-of-city businesses by mid-October 2025. Jurisdictions must provide BLS a 75-day notice of any changes to their business licenses.

ANTICIPATED RESULT IF NOT APPROVED:

The City would be out of compliance with RCW 35.90 and would not be allowed to enforce its general business licensing requirements until the updated model ordinance takes effect (RCW 35.90.090).

ATTACHMENTS:

Attachment A: Ordinance

Attachment B: FAC November 12, 2024, Memo to Council and PowerPoint

Attachment C: AWC Fact Sheet_2026 Business License Model Minimum Threshold

Attachment D: AWC Notice to Update Business License Model Threshold, Threshold History & Timeline