

## Memorandum

**Date:** June 1, 2012

**To:** John Kovash, Mayor  
Members, West Linn City Council

**From:** Chris Jordan, City Manager 

**Subject:** June 4 Work Session

---

The City Council is scheduled to meet in a work session at 6:00 on Monday, June 4, 2012. The agenda includes:

- **Discussion of Status of Lake Oswego-Tigard Water Partnership Project**  
This item will be a brief update by me regarding the status of the land use application and the Intergovernmental Agreement for shared emergency water.
- **Business License/Home Occupation Fees -- Amnesty Proposal**  
Economic Development Director Chris Kerr has prepared the attached memorandum for the Council discussion on this item. If the Council would like to pursue this idea, we may need to make minor modifications to the proposed Master Fees and Charges which is scheduled for Council consideration on June 11.
- **Review of the June 11 Council Agenda**

Please let me know if you have any questions.

Attachment

## Memorandum

**Date:** May 31, 2012

**To:** Chris Jordan, City Manager

**From:** Chris Kerr, Economic Development Director

**Subject:** Proposed temporary waiver of business license and home occupation fees with an amnesty period for existing violators (business license fee “holiday”)

---

### **Purpose**

As part of the approval of the FY 2013 Master Fee Schedule, Staff is requesting Council’s consideration of a proposal to authorize a temporary (one year) waiver of the City fee for business licenses and home occupation permits and to adopt an amnesty program for those existing businesses that have not previously obtained a license or renewal. This program is proposed to increase the number of licensed businesses and home occupations in the City which will assist Staff in a broader review of the City’s licensing procedures intended to make them more responsive to the needs of the business community. The amnesty program would encourage compliance for any existing businesses that are currently non-compliant with regard to licensing, without a penalty.

The business license fee “holiday” and amnesty program would extend from July 1, 2012 through June 30, 2013.

### **Background:**

With a few exceptions, such as garage sales, the City requires a business license for any *“trade, profession, occupation or pursuit of every kind conducted in the city for gain...”* Additionally, all home occupations are required to receive a permit and pay a separate fee to the City. There are currently 1,245 licensed businesses in the City, 423 of which are home occupations. The City is expected to receive approximately \$38,000 in business license revenue during FY 2012. The revenues from the business license program in previous years have been as follows:

- FY 2008: \$62,140
- FY 2009: \$58,668
- FY 2010: \$52,391
- FY 2011: \$25,765

The current fees for business licenses and home occupation permits are:

	Business License Fees:		HO Fee	
	Inside City	Outside City	First year HOC fee	Renewal HOC fee
1-2 emp.	\$ 36	\$ 54	\$ 100	\$ 10
3-5 emp.	\$ 54	\$ 81		
6-10 emp.	\$ 72	\$ 115		
10+ emp.	\$ 86	\$ 138		

Both business licenses and home occupations are required to be renewed annually. A home occupation permit renewal is \$10.00. Generally, the revenue collected from these fees is used to pay for permit processing and, ostensibly, to pay for the general services provided by the City to regulate the business. With the exception of home occupations, the business licensing process is principally administrative rather than regulatory. Home occupations include an additional fee because they are reviewed by the City to assure conformance with the Community Development Code. Business license fees are paid into the City’s General Fund.

The amnesty program would be a one-time opportunity for businesses that are either delinquent in their renewals or that failed to register their businesses to do so over the next year, without any penalties or fees.

A concern for Staff is that the licensing program in the City is being underutilized as a resource for serving the business community. The program needs to be streamlined and more responsive to the needs of the business community. Additionally, there are few identifiable benefits to business owners for paying the licensing fee, which leads to non-compliance. Over the next year, as part of the City’s interest in maintaining and assisting existing businesses, Staff will be completing a review the City’s business licensing program – including the fees, potential benefits to the businesses and the community at large.

If approved, this business license fee holiday program is expected to increase the inventory of businesses in the City, instill greater trust from the business community and provide Staff with vital data on those businesses to allow staff to develop programs and incentives centered on meeting those needs.

**Analysis**

A waiver of the business license and home occupation fees for one year during this ongoing recession would be especially beneficial to smaller businesses, particularly home occupations and start-ups. Equally important, this program will expand the inventory of businesses licensed in the City which can then be used as part of a larger effort to create a more responsive economic development program that will benefit the City's economy and over time generate more revenue for the City.

If approved, this program would relieve a new home occupation business in the City from paying their initial business license fee and home occupation permit fee, a savings of approximately \$136. While not a significant cost to a large or mid-sized business, it represents an appreciated savings for a small business owner and for a home occupation in particular, it would be a significant benefit.

Staff estimates that if this proposal is implemented, the lost revenue expected for the City during FY 2013 will be approximately \$41,000. This assumes a 5% increase in business license revenue from the previous year that would not be collected. However, Staff would expect an increase in the number of business licenses and home occupations in particular, if this business license fee holiday program is adopted. This would result in an increase in revenues for the following years when these new licenses are renewed. Additionally, if the Staff is successful in revamping and improving the City's licensing procedures, City businesses will see direct benefits and be more successful in the future, leading to increases in future business activity and revenues.

Waiving the past due fees for businesses in arrears under the amnesty program would have a fiscal impact of less than \$500.00; but would have the effect of bringing these businesses into compliance with our licensing requirements. Staff efforts to collect money on delinquent accounts costs the City money and can discourage others from doing business in the City.

### **Options**

Option #1 Modify the the Master Fee Schedule such that for FY 2013, the business license fee, home occupation permits and renewals are zero. Licenses, permits and renewals would still be required, but the fee would be waived. Additionally, adopt an amnesty program for those businesses that have not previously obtained a license or renewal that would permit them to apply or renew without penalty.

### Option #2

No changes to licensing program; City continues to license businesses at the current rate.

### **Recommendation**

Staff recommends adopting Option #1. It should be noted that even if Option #2 is chosen, Staff will be proceeding with a review of the business license and permit process in the City in order to provide an improved, fairer program that provides the greatest benefit to the City's businesses and community.