

## Business License Fee Proposal

From Councilmember Taylor

*This is a comprehensive proposal for action on the LYRB Business License Fee Study. It addresses license base fees and disproportionate fees for businesses as well as license base fees and Good Landlord Program for landlords.*

*Creating this proposal has been a group effort. I worked closely with Shawn Maynard, President of the North View Business Alliance, to craft the original proposal and to make subsequent updates. Mayor Harris, Councilwoman Harris, and Ed Dickie, Dave Carlson, and Debbie Cardenas from the City Staff have all made invaluable contributions to this final proposal. I genuinely appreciate all of their input that greatly improved this proposal, but at the same time I do not presume to speak for any of them in putting forth this final proposal. This is not a perfect proposal—there rarely is such an animal. However, it represents a strong effort to balance the important issues here and to ensure that we value our city's businesses and landlords.*

### **I. Overall Philosophy of this Proposal**

North Ogden values our business community. Our local businesses are critically important to our city for several reasons. First, their presence in the city adds to our residents' quality of life because they can purchase goods and services locally. Second, businesses are important to our local economy, both in terms of employment and in terms of generating sales tax dollars to fund city government. Third, the business community members are important partners for the city; businesses make donations of time and money to contribute to city functions and activities such as Cherry Days and recreational programs. Businesses are an invaluable part of our community.

North Ogden charges business license fees to cover regulatory costs and municipal services cost. North Ogden charges business license fees to cover the cost of regulating business activities in the city. Additionally, the city currently charges certain business classes higher licensing fees because they are generally larger businesses that utilize more municipal services. The City hired the reputable firm of Lewis Young Robertson and Burningham, Inc. (LYRB) to review the current business license fees. LYRB's statistical analysis showed that certain business classes continue to utilize more municipal services (especially police services) than others. The LYRB study recommended lower base business license fees but significant increases in the disproportionate fees assessed on certain businesses that were shown to statistically use more municipal services. The concept of "disproportionate use of municipal services" comes from Utah State Law and is the legal concept that allows cities to charge certain business classes higher fees in order to recoup the costs of higher use of municipal services. While this study provides the legal basis for adjusting our fee structure, it is important to note that businesses are not viewed as a liability. These fees are not punitive in nature and it is not our intent to punish businesses for using police or other municipal services. Rather, the disproportionate fee concept allows cities to recover the costs associated with this use of services.

Licensing Landlords. Licensing landlords makes sense from a fundamental perspective of equity. All other business entities in the city are licensed, even small home-based businesses with lower annual revenues than a rental property. However, landlords are also an important asset in our community and potential valuable partners, especially in terms of reducing crime. Landlords are a critically important part of the community in that they offer housing for a large number of our residents. This proposal recognizes the value that landlords bring to our city. The implementation of licensing fees on landlords should be the same fees as other businesses, and a Good Landlord Program must be adopted prior to implementing any disproportionate fees on landlords.

Overall Recommendations: This proposal recommends a comprehensive revision of the current fee structure, using the LYRB study as point of reference for determining these fees. The fees will not match the full recommendation of the LYRB study because of the following mitigating factors, including: 1) North Ogden views businesses as a valuable asset in our community and as important partners in city events; 2) businesses are victims of crime—they don't desire to use more police services; 3) businesses generate sales tax and pay higher property tax ratios than residents; and 4) North Ogden is working to strengthen partnerships with city businesses and to encourage more economic development in the city. Because of these factors, we recommend implementing only a fraction of the LYRB recommendations as outlined below:

## **II. Business License Fees**

Proposal: *Implement the LYRD recommended base fee for home and commercial business occupations of \$82.34 for new licenses and \$64.00 for renewals. Implement higher business license fees for certain business classes using the LYRB disproportionate fee recommendations as follows: 100% implementation of disproportionate fees as recommended in the LYRB study to a threshold of \$250, with 50% implementation of disproportionate fees in amounts between \$251 and \$500. Thereafter, any remaining fees recommended by the LYRB study will be implemented at a rate of 8% on the remainder of the recommended amount. See examples below.*

Example 1: Small Retail. The LYRB study recommends a disproportionate fee for Small Retailers of \$59. Because that amount is smaller than the threshold of \$250, it will be fully implemented, resulting in the following business license fee for a Small Retailer in North Ogden:

Base fee \$64 (for renewal) + disproportionate fee of \$59 = \$123 total cost of business license

Example 2: Financial Institution. The LYRB study recommends a disproportionate fee for Financial Institutions of \$766. Therefore, the first \$250 of that \$766 will be implemented at 100%; the recommended fee between \$251 and \$500 will be implemented at 50%, meaning \$125. The remaining \$266 of the recommended fee will be implemented at 8% (\$21.28), resulting in the following fee:

Base fee \$64 (renewal) + disproportionate fee of \$396.28 (\$250 + \$125+ \$26) = \$590 total cost

Example 3: Grocery Store. The LYRB study recommends a disproportionate fee for Grocery Stores of \$8,948. Therefore, the first \$250 of that \$8,948 will be implemented at 100%; the recommended fee

between \$251 and \$500 will be implemented at 50%, meaning \$125. The remaining \$8,448 of the recommended fee will be implemented at 8% (\$675.84), resulting in the following fee:

Base fee \$64 + disproportionate fee of \$1,050.84 ( $\$250 + \$125 + \$675.84$ ) = \$1,050.84 total

### **III. Landlord Licensing**

Proposal: *Introduce business licensing requirement for landlords. This is fundamentally about equity: we require licenses for all other types of businesses in the city—including small home based businesses with lower annual gross revenues than many rental properties. Additionally, implement the recommended \$13.27 disproportionate regulatory fee on each landlord business license to cover additional code enforcement and regulatory compliance requirements. No disproportionate fees are assessed on landlords at this time, because the City does not have Good Landlord Program in place (a requirement to levy a disproportionate fee). See examples below:*

#### Example 1: New Rental Business Application:

Base fee \$82.34 (new application) + \$13.27 disproportionate regulatory = \$95.61 total cost

#### Example 2: Rental Property Renewal Application:

Base fee \$64.00 (renewal application) + \$13.27 disproportionate regulatory = \$77.27 total cost

Proposal Continued: *Pass a resolution that the City will begin implementation of a Good Landlord Program with a completion data of no later than October 15, 2011. This will give time for the City to work with landlords and other stakeholders (police, code enforcement) to implement a program that satisfies all parties involved. Landlords must have a strong voice in shaping the Good Landlord Program that is ultimately developed. The disproportionate rental fees will begin to be charged with the 2012 business license renewals, with the Good Landlord Program participants receiving a substantial fee reduction.*

### **IV. Licensing Fee Fund Allocation**

*All business license fees are placed into the city's General Fund to cover the expenses for which they were collected:*

1. Base business license fees will be used to cover regulatory costs associated with licensing and regulating businesses (administrative costs, printing costs, code enforcement/regulatory, legislative, etc.).
2. Disproportionate fees are used to cover the general fund expenditures for the municipal services for which they were collected (i.e., police department expenses for calls to businesses).
3. Disproportionate administrative costs for landlords are used to cover the administrative expenses for which they were collected.

## V. Additional Services to Businesses

*This proposal holds to the philosophy that when we charge higher fees, we need to deliver a higher level of service. We do not want businesses or landlords to feel that they are viewed simply as sources of revenue for the city to be charged higher fees without a higher level of service. We want them to genuinely feel a part of our community. Of course they are expected to contribute to municipal services through licensing fees, but we want them to feel like the city is a partner, rather than a bill collector. As such, the proposal includes several important service enhancements for businesses and landlords:*

1. Business Liaison Officer: As part of this proposal, the position of Business Liaison Officer/BLO (or similar title) will be established in the North Ogden Police Department. This will not be a new officer, but rather a duty assigned to an existing officer. This officer will serve as the liaison between businesses and the Police Department. The BLO will develop positive relationships with businesses by personally visiting businesses regularly and by serving as a point of contact when businesses want to contact the police for a non-emergency matter. For example, if a business were experiencing suspicious loitering, they could call the BLO and discuss their concern. The BLO could then coordinate with NOPD leadership for additional patrols in that area. The BLO will offer an enhanced and personalized degree of service to our businesses.
2. Rental Liaison Officer: A similar position should be established as a point of contact for landlords to report concerns and to discuss strategies for crime reduction. Once the city forms a Good Landlord Program there will be such a contact. However, identifying a liaison now for landlords is part of this proposal, because they are being charged license fees starting now.
3. Economic Development Fund: This proposal has stressed that businesses are viewed as an asset in North Ogden, and establishing an Economic Development Fund proves this. This proposal recommends establishing an Economic Development Fund financed by the city that would be equivalent to 20% of the total business license revenues (estimated as approximately \$15,000 the first year). This Fund would be used to finance economic development initiatives, such as the "Spend it in North Ogden" campaign or similar campaigns. It could also be used to finance initiatives such as those currently being considered by the Economic Development Committee, including GOV QA, economic development marketing, etc. Basically, this fund says to businesses that the city will invest money and effort into creating a strong and healthy business climate in North Ogden.
4. Funding for a North Ogden Business Alliance: The Economic Development Fund would also be used to fund the North Ogden Business Alliance (currently the North View Business Alliance). This Alliance would bring city elected officials and staff together with business leaders in North Ogden to partner together for economic development in the city. The Alliance will serve as a format to bring city and businesses together to tackle problems facing the city's business community. This alliance also works to promote the shop local message and to help market local businesses through misc. events and marketing programs.