



TO: Elizabeth Pauli, City Manager
FROM: Danielle Larson, Tax & License Division Manager; Andy Cherullo, Finance Director
COPY: Economic Development Committee; Cathy Satava, Management Fellow; Jeff Robinson, Director, Community & Economic Development
PRESENTER: Danielle Larson, Tax & License Manager
SUBJECT: Business License Fees
DATE: September 26, 2023

PRESENTATION TYPE:
Informational Briefing

SUMMARY:

Staff is presenting a recommendation for the Economic Development Committee (EDC) to consider regarding business license fees in 2025 and 2026 as outlined in Substitute Ordinance #28838.

BACKGROUND:

In December 2022, the City Council passed Substitute Ordinance #28838 that added two new licensing tiers based on gross income and increased business license fees in 2023 and 2024 as shown in the table below.

Gross Income*	2022 Fee	2023 Fee	2024 Fee
Less than \$12,000	\$25	\$25	\$37.50
\$12,000 - \$250,000	\$110	\$130	\$190
\$250,001 - \$1,000,000	\$250	\$300	\$435
\$1,000,001 - \$5,000,000	\$250	\$1,000	\$1,500
Over \$5,000,000	\$250	\$1,500	\$2,000

**Gross income is total worldwide income from business activities inside or outside of Tacoma, and regardless of business location.*

The ordinance also included a request that the City Council's EDC work with stakeholders to make a recommendation to the full City Council by September 30, 2023, regarding the business license fees for 2025 and applicable tiers, potential fees, and a process for adjustments to fees for years following 2025.

STAKEHOLDER OUTREACH:

As a part of the stakeholder engagement process, the EDC held several roundtable discussions with diverse panels representing large manufacturers, legacy employers within Tacoma, small independent businesses and a variety of other businesses representing diverse perspectives. The feedback received from the stakeholder groups mostly related to:

- **Public Safety** – stop the vandalism, window breaking, car prowls and lack of safety in the areas around their businesses
- **Homelessness** – reducing the impact on businesses, employees, and customers
- **Permitting & Zoning** – speed up, simplify, and reduce the fees
- **Economic Development** – work in coordination to support and grow businesses
- **Housing for their Workforce** – workers need access to affordable housing



Other key messages from the stakeholder panels included:

- **Communication** – there is a desire for more communication with the City and the business community would like to provide their voice to finding solutions to issues impacting the City.
- **Customer Service** – the businesses said that the customer service that they receive from the City departments with which they mostly interact is very good.
- **Support for Businesses** – they would like City revenues to be directed towards services that directly support the businesses and the community around them (such as the Business Improvement Area (BIA), public safety, building permits, and economic development).
- **Stability & Predictability** – businesses desire stability and predictability from the City via its policies and services.

ISSUES:

Ordinance #28838 established business license fees for 2023 and 2024 (see the table above). The Ordinance also asked the EDC to work with stakeholders to make a recommendation to the full City Council by September 30, 2023, regarding the business license fees for 2025 and beyond.

Given the feedback from the stakeholder meetings and the business community's desire for stability and predictability, staff is recommending that the business license fees for 2025-2026 remain at the 2024 levels. Staff will come back in late 2025 or early 2026 to make recommendations for any potential business license fees changes for the 2027-2028 biennium.

ALTERNATIVES:

The alternatives would be for the EDC to recommend an increase or decrease in the license fees for 2025 and beyond. These changes could be based on a fixed amount or some other system for adjustment. Also, there could be recommended changes to the licensing tiers. Staff would need to do an analysis of any proposed changes.

FISCAL IMPACT:

No Fiscal Impact if the Staff Recommendation is adopted. If there are changes recommended by the EDC, further analysis will have to be completed to determine the fiscal impact.

RECOMMENDATION:

Staff proposes that the EDC recommends to the City Council no increase to the business license fees for 2025 and 2026. This will provide stability and predictability to the business community for the next three years related to City business license fees. At the end of 2025 or in early 2026, staff will review the fees and tiers for any adjustments and recommend options to consider prior to the 2027-2028 biennial budget process kicking off.