



TO: Elizabeth Pauli, City Manager
FROM: Council Member Olgy Diaz
COPY: City Council and Clerk
SUBJECT: **Resolution – directing the Planning Commission to add a review of 13.06.080.G “Home Occupation” into their work program as a high priority – August 15, 2023**
DATE: August 9, 2023

SUMMARY AND PURPOSE:

A Resolution to incorporate a review of 13.06.080.G, Home Occupation, into the Planning Commission's work program as a high priority.
[Council Member Diaz]

COUNCIL SPONSORS:

Deputy Mayor Walker, and Council Members Daniels and Diaz

BACKGROUND:

The Council Member’s Recommendation is Based On:

Microenterprise start-ups don’t have a current pathway to leasing commercial spaces. With the rising costs of rent, it’s becoming more and more difficult for them to take this high-risk step towards growing their businesses. A microenterprise is a business with 5 or fewer employees (often grouped into “Small Businesses” which are up to 500 employees).

The commercial real estate trends in Tacoma have paralleled the residential real estate trends and have outpriced many start-ups from obtaining a commercial lease. According to data provided by Spaceworks Tacoma, in 2014-2016, Downtown was \$12 per square foot per year and Hilltop was \$6 per square foot per year. In 2023, on average, historic building spaces are renting for \$18-\$22 per square foot per year and new developments are going for \$28-\$32 per square foot per year. In addition to increased costs for rent, traditional banks require 3 years of financial history to apply for a loan. Community development financial institutions (CDFIs) have lower barriers but high interest rates. Often collateral is required, sometimes over \$25,000. Many entrepreneurs are moving to more affordable cities surrounding Tacoma or choosing not to open a brick-and-mortar (opting to sell online only or at markets) because the cost is out of reach and the financial risk is too great.

This resolution targets obstacles microenterprises face as separate or different than what “small businesses” face when it comes to commercial leasing in Tacoma. This resolution requests a review of home occupation standards to better align with the needs of microbusinesses. Physical Incubation for small businesses is an important step in the start-up phase, especially for LMI (low- to-moderate income) entrepreneurs. It affords them time to build capital and establish a customer base to sustain that income. In addition to providing a safe testing ground for ideas, it also provides historical data, financials, and experience that property managers and developers are looking for in a quality leaseholder. Initiating a business out of one’s home also gives entrepreneurs the chance to fail without severe consequences like unnecessary loans, liens, or bankruptcy due to lease commitments.

Home Business Occupation licenses are regulated in two parts of the municipal code, Tacoma Municipal Code Section: 6 – Tax and License Code, and Tacoma Municipal Code Section: 13.06.080.G – Home Occupation. Changes to Title 13 require the Planning Commission’s review and recommendation to Council. Council can then accept, reject, or change the recommendation. This resolution begins this process.

This resolution would direct planning commission to review code, with the goal of:

- Expanding ways Home Business Occupation could be used by microbusinesses
- Incentivizing growth and the transition to brick and mortar operations



- Having limited impact on surrounding community
- Reducing administrative burden for microbusinesses to receive their permit for home business occupation

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

Spaceworks surveyed past participants in their programs to understand their needs for commercial leasing. Based on the results of that survey, Spaceworks recommends the City expand allowable home business occupation opportunities to speed up the microbusiness growth process by providing a low-risk environment to test business ideas and workflows. On February 28, 2023, Spaceworks presented a recommended code change to allow for a new Conditional Home Incubation Agreement to the City of Tacoma Economic Development Committee for consideration.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility: (Mandatory)

According to the Washington State Microenterprise Association, the vast majority of microbusinesses are owned by entrepreneurs with limited incomes who are part of historically marginalized groups such as Black, Indigenous and People of Color (BIPOC), immigrants, women, veterans, rural populations, tribal groups, LGBTQA+ people, and people with disabilities. These populations face significant barriers to business success due to lack of financing, training, and other business support resources.

Economy/Workforce: Equity Index Score: Moderate Opportunity

Increase the number of diverse livable wage jobs.

Increase the number of Tacoma households that have livable wage jobs within proximity to the city.

Explain how your legislation will affect the selected indicator(s).

Microbusinesses are a rich source of innovation and employment. They represent a well of opportunity for the state’s economic growth. In Washington, microenterprises employ more than 600,000 people and make up a staggering 85% of businesses. Across the country, approximately 92% of businesses tracked by the census are microbusinesses. This legislation will target challenges microbusiness-specific economic challenges to help preserve this critical economic driver for Tacoma.

ALTERNATIVES:

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. Take no action	Current permit process successfully allows home business with minimal impact on neighborhoods	Current code restrictions don’t allow for growth opportunities for microbusinesses not yet ready to move to brick and mortar establishments
2. Specifically request review of Spacework’s proposal	Proposal addresses specific concerns Spacework’s identified from their membership, expands opportunities for microbusinesses	Sponsors believe further review can refine the approach to be easier to administer and balance microbusiness and neighborhood needs



City of Tacoma

City Council Action Memorandum

EVALUATION AND FOLLOW UP:

Planning Commission will report back to the full council a proposed timeline for incorporating this review into their work plan.

SPONSOR RECOMMENDATION:

Sponsors recommend directing the Planning Commission to add a review of 13.06.080.G, Home Occupation, into their work program as a high priority, and bring forward a proposal to expand ways Home Business Occupations can be used to grow microbusinesses in Tacoma.

FISCAL IMPACT:

This policy will require staff time to support the work of the Planning Commission. Impacts will be incorporated into ongoing workload. Any policy or code changes recommended by the Planning Commission will be evaluated for their fiscal impact when they are brought to Council for consideration.